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ABSTRACT

Designed to serve as a framework from which high school debate students, coaches, and judges can evaluate the issues, arguments, and evidence present in sustaining and reforming the United States welfare system, this booklet provides guidelines for research on the 1984-85 debate resolutions selected by the National Federation of State High School Associations. Following the presentation of the problem area and the three debate resolutions, the booklet's four chapters discuss (1) useful information and sources for researching the topic of welfare reforms, (2) poverty in the United States, (3) income maintenance proposals, and (4) federal employment guarantees. (HTH)

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ERIC FIRST ANALYSIS: Welfare Reforms

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1984–85 National High School Debate Resolutions

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ERIC FIRST ANALYSIS: Welfare Reforms

1984–85
National High School Debate Resolutions

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Foreword

Questions of welfare reform are inherent in the modern democratic state. Debaters will be applying their attitudes and insights about the United States welfare system throughout their adult life. Since the three topics of poverty, income maintenance proposals, and federal employment guarantees are interrelated, students will gain from applying the analysis in this book to the development of their actual case. The *ERIC First Analysis* should serve as a framework from which students, coaches, and judges can evaluate the issues, arguments, and evidence present in sustaining and reforming the welfare system.

ERIC First Analysis, published annually since 1973, provides debaters with guidelines for research on the debate resolutions selected by the National Federation of State High School Associations. It incorporates an instructional approach designed to avoid "structured" cases and "canned" evidence. Periodic surveys of teachers of debate have indicated that the *ERIC First Analysis* has proved to be an excellent resource for students to begin their study of issues and arguments.

The *ERIC First Analysis* of the 1984-85 National High School Debate Resolutions is published by the Speech Communication Association in cooperation with the Educational Resources Information Center Clearinghouse on Reading and Communication Skills (ERIC/RCS). The ERIC/RCS Clearinghouse is supported by the National Institute of Education which has as one of its missions the dissemination of knowledge to improve classroom practices. This ERIC information analysis paper is unique in that it is intended for direct use by high school students as well as by their teachers.

To be a "first" analysis, the manuscript must be prepared in a period of six weeks after the February announcement of the national debate topic. The author's thorough analysis of issues and sources in so short a time and his adaptation of the analysis to the needs of high school debaters are tributes to his experience and excellence as a forensics educator.

Don M. Boileau
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1984–85 High School Debate Problem Area and Resolutions

How can the federal government
best decrease poverty in
the United States?

Debate Resolutions

Resolved: That the federal government should guarantee a minimum annual cash income to all United States citizens.

Resolved: That the federal government should adopt a negative income tax to assist all United States citizens living in poverty.

Resolved: That the federal government should provide employment for all employable United States citizens living in poverty.

Preface

The purpose of this publication is to provide a brief overview of the 1984–85 high school debate resolutions. The decision-making process for selecting the problem area and resolutions is different from the system used for determining the college debate topic. Last December the National Federation offered three problem areas and nine resolutions for consideration. After five weeks of balloting by the various state and national forensic representatives, the topic area of the United States welfare reform won the referendum. The final resolution, however, will not be determined until December, although an early preference has been shown for the federal employment topic. All of the specific resolutions are closely related to each other, and some case areas are interchangeable.

Whichever resolution is finally selected, the debater will have a tremendous amount of research material to assimilate. The four chapters of this book are intended to prepare debaters for their own efficient investigation of the problem area. The four chapters are: (1) getting started, a review of useful information on researching the topic of welfare reform; (2) an overview of the problem area of poverty; (3) income maintenance programs: guaranteed annual income and negative income tax; and (4) employment for the poor.

Since this text was written early in the debate year, it cannot encompass all possible positions that could be developed under any of the resolutions. This publication should be used to establish early research priorities on the most likely affirmative and negative arguments. Also, it provides a general overview of the kinds of issues likely to be discussed under the welfare topic.

The opinions expressed in this work do not represent the official position of the Speech Communication Association. In most instances, the consensus view of debate theory or the welfare system is presented, which may not represent the personal view of the author. As a general rule, this text emphasizes the practical rather than the exotic, the likely rather than the unlikely.

The planning, research, and writing for this publication were done by the author. Editing and proofreading assistance was gratefully accepted from Christine Risley Wagner.

The task of compiling the material and finishing the manuscript under rigorous time constraints has been made easier by the patience and understanding of both my family and the staff, students, and fac-

ulty of the Department of Communication Studies of California State University. The information in this publication is intended to benefit debaters and coaches, and to introduce an exciting topic of vital importance to audiences and judges alike.

David L. Wagner

1. Getting Started

The Beginning

A basic step in the process of library research is to develop a method for discovering those topic areas that require priority attention. This publication encourages the "brainstorming" technique often used by business or academic groups to generate ideas. Such an approach adapts easily to the needs of debate squads. Coaches and debaters should discuss possible case areas and issues likely to emerge on the poverty topics. This exchange should encourage all members of the group to volunteer information or contribute their ideas. The rules are easy to establish: (1) evaluation and criticism by group members are forbidden; (2) all contributions are to be encouraged; (3) an attempt is made to create the greatest quantity of ideas; and (4) a combination of ideas and solutions is sought.[1] A master list for the squad should be kept on concepts for cases, topicality arguments, and potential advantages or disadvantages.

This debate squad session does not have to be totally unstructured. The quality of the exchange would be enhanced if a few general articles on current issues of poverty and the federal government's aid programs were read first. Another preliminary step is to review other debate topics for similarities to this year's resolution. For example, within the last ten years, two high school topics have dealt with poverty and employment; and within the last seven years, two college topics have touched on similar issues. Many of the arguments raised under these resolutions continue to be relevant to analysis of the current problem area.

Research Procedures

Once a list of concepts has been accumulated, it becomes necessary to organize research assignments. A number of questions must be considered when making such assignments. Is it important to research an affirmative case first? What areas can be covered with the sources readily available? What cases are likely to be run early in the year? Answers to questions like these will determine which ideas must be considered primary research objectives.

After a preliminary list has been developed, the most systematic

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method of researching is to compile brief bibliographies on each of the major issues or case areas. Although some debators are good at chasing down obscure footnotes in books or intuitively finding useful publications, the best and most comprehensive method is to consult the library card catalog for books and indexes for periodicals or journals. Poverty and employment provide a unique opportunity to utilize a wide variety of library resources. Debaters will consult material from such diverse academic areas as medicine, criminal justice, business, economics, law, and sociology.

The card catalog is the main source for locating books in the library. This catalog is indexed under subject, author, and book title. There are also special reference sources for business and economic topics. For example, *Business Information Sources*, the *Encyclopedia of Business Sources*, and the *Encyclopedia of Economics* are valuable general works. If the amount of reference material seems overwhelming, several options are available to the debater.

First, most libraries have trained reference librarians who will give assistance if requested. Second, various books explain reference sources in greater detail. Some good examples are *The New York Times Guide to Reference Materials*,[2] *Government Publications and Their Use*,[3] and *Guide to Reference Books*.[4] A third option is having a research service compile a bibliography on selected topics. A fee is charged by many university libraries or research organizations for computer retrieval of this information.

Indexes and Abstracts

Most indexes or abstracts are organized topically by subject headings and by author. While an index supplies basic information on when and where an article was published, abstracts offer the added attraction of providing a short summary of the publication. Typical subject headings on these resolutions would include income, welfare, poverty, hunger, work, public works, and employment.

The Reader's Guide to Periodical Literature is perhaps the most widely available resource index in the United States. Available in most public and school libraries, this research aid surveys over 150 popular magazines covering issues of current news value. Government documents will be extremely valuable resources on this year's topic and can be found in several sources, including the *Monthly Catalog of U.S. Government Publications* and the *GPO Sales Publications Reference File*.

Nationally distributed newspapers also provide indexes to their publications. *The New York Times*, *Los Angeles Times*, *Christian Sci-*

ence Monitor, *Washington Post*, and *Wall Street Journal* are all respected papers with indexing systems available in many libraries. While most local newspapers will not have published indexes available, some libraries will clip and file articles on important topics. Also, NewsBank collects articles from local papers and places them on microfiche. Other special indexes should prove useful for a careful consideration of the welfare system. Among them are:

Business Periodicals Index
Indexes a wide range of magazines and journals of interest to those in business.

Criminal Justice Abstracts
Contains articles on current topics about the welfare system. Lengthy abstracts of domestic and foreign criminal justice journals.

HRIS Abstracts (Highway Research Information Service)
Covers international reports and journals published on transporation, highway design, drainage, safety and construction, traffic control, measurement and flow, legal studies, soil sciences, urban transportation, land use, and community values. Published quarterly by the Highway Research Board of the National Academy of Science.

Index Medicus
Indexes international medical literature and references several thousand journals. Human health, biometry, botany, chemistry, entomology, physics, psychology, sociology, veterinary medicine, zoology, and environmental publications are indexed. Published monthly by the National Library of Medicine.

Index to Legal Periodicals
Indexes American legal periodicals. Contains book reviews and case indexes. Printed numerous times during the year.

Psychological Abstracts
Summarizes (nonevaluatively) over 850 journals, reports, and books. Updated monthly.

Public Affairs Information Service Bulletin
Reviews over 1,000 government and business publications, government documents. Presents a brief abstract of relevant articles.

Selected References on Environmental Quality as It Relates to Health
Indexes 2,300 biomedical periodicals. Includes pollution, pesticides, drugs, ecology, and the environment. Published monthly by the National Library of Medicine.

Social Sciences Citation Index
Indexes authors in social science research.

Social Sciences Index
Updates of over 270 periodicals and journals in the social sciences. Published quarterly.

Sociological Abstracts
Covers a broad range of domestic and foreign journal articles related to the field of sociology.

Sources

The preferred method for systematic research on any topic is extensive use of indexes or abstracts. However, a time lag exists between the publication date for journals or periodicals and their inclusion in various indexing systems. While it is unlikely that the economy will achieve full employment or that poverty will be eradicated in a month, it is important that each debater keeps current with shifts in the unemployment rate or the actions of Congress, the president, and the state government. The best single recommendation is a thorough reading of a good daily newspaper. In addition, popular news weeklies such as *Newsweek*, *Time*, or *U.S. News and World Report* should be examined periodically for timely articles or major issues.

There are also a large number of business magazines which should be read each month. This list would include:

Barron's
Current
Business Week
Dun's Review
Forbes
Fortune
Nation's Business
The Economist

Other publications that may be less well known to the debater but are important sources of evidence include the *Congressional Record*, which is the official account of the activities of Congress. Also, *Current History* devotes several summer issues to articles on the high school topic. In addition to these publications, there are many works that contain a number of articles relating to poverty, welfare, or employment. A sample includes:

American Economic Review
Publishes original research and critiques on economic issues. Most high school students will find this difficult reading. Published quarterly.

Monthly Labor Review
Includes articles and statistical data related to employment and unemployment. Official publication of the U.S. Department of Labor; prepared by the Bureau of Labor Statistics.

Public Welfare
Contains numerous articles on a variety of topics relevant to the 1984-1985 debate resolutions. Published quarterly by the American Public Welfare Association.

Review of Economics and Statistics
Reviews economic and statistical information. Published quarterly by the Department of Economics at Harvard University.

Social Policy
Includes a number of general interest articles on poverty and employment programs. Published quarterly.

Social Security Bulletin
Contains both articles and statistical information on poverty, welfare, and government programs. Published monthly by the Social Security Administration.

Social Work
Covers topics of interest to those in social work and social welfare. Published monthly by the National Association of Social Workers.

Primary Data

While there are certainly court cases and statutory exactments which will be cited on this year's topic, most debaters will not spend much time researching primary legal documents. It is more likely that data from services such as the *Statistical Abstract of the United States*, the *American Statistics Index*, the *Statistical Reference Index*, or readily available almanacs will be used. Articles in research-oriented journals such as the *American Economic Review* or the *Review of Economics and Statistics* will require rudimentary knowledge of research methods.

Figure 1 provides a graphic representation of the research process described in this chapter.

ISSUE RESEARCH METHODOLOGY

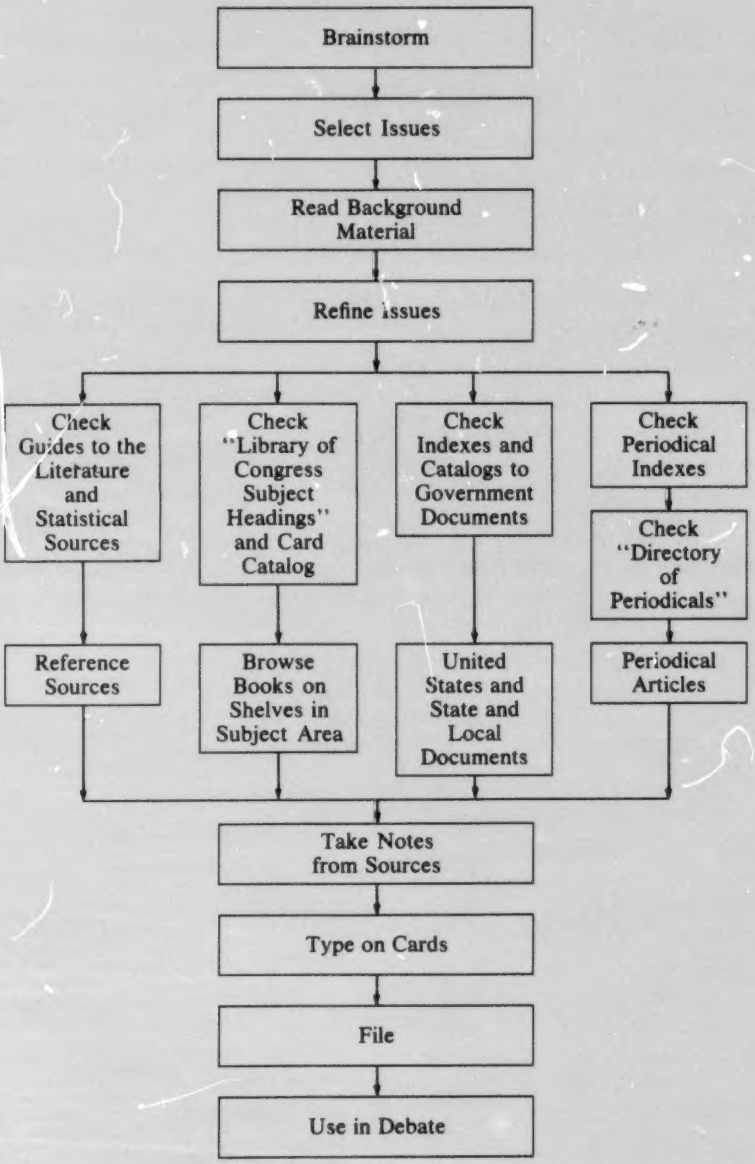
Brainstorm
Select Issues
Read Background Material
Refine Issues
Check Guides to the Literature and Statistical Sources
Check "Library of Congress Subject Headings" and Card Catalog
Check Indexes and Catalogs to Government Documents
Check Periodical Indexes
Check "Directory of Periodicals"
Reference Sources
Browse Books on Shelves in Subject Area
United States and State and Local Documents
Periodical Articles
Take Notes from Sources
Type on Cards
File
Use in Debate

Figure 1. From: Kristie and Kong, *General Business Research: Selected Sources*, California State University–Sacramento Library.

Evidence Transcription

The final result of this research effort is the gathering of usable evidence to support arguments on issues raised during a debate. This evidence should meet commonly agreed upon standards for debate evidence. Among those tests of evidence mentioned by authors of argumentation textbooks are: (1) expertise of the author; (2) unbiased reporting of information; (3) timely information; and (4) verifiable sources of data.

In addition, full source citation should be available for each unit of evidence used in a debate. Coaches involved with both high school and college debate are increasingly concerned about the challenges to information used during debate rounds. Contestants are responsible for knowing and following the rules and regulations required by their leagues, state associations, and the National Forensic League on source citations and challenges to evidence.

Some debaters carry copies of important affirmative and negative sources to answer immediately requests for clarification. A caution sounded in a prior *ERIC First Analysis* deserves repeating: "Particular problems often arise when evidence is paraphrased or when seemingly irrelevant information is edited out. As a general practice, this type of editing should be avoided."[5] An example of a file card which contains a full citation is provided in Figure 2.

SAMPLE CARD

(1) F3

(2) Targeted Programs

(3) Bernard Anderson; (4) Director, Social Sciences Division, Rockefeller Foundation; (5) *U.S. News;* (6) Sept. 5, 1983; (7) p. 27.

(8) In addition to sustained and vigorous economic growth, what we need are targeted education, training and job-creation policies designed to zero in on those sectors of labor surplus that are surely going to exist no matter what happens to the rate or growth for the economy as a whole.

(9) DF 1004

Figure 2. The numbers prefacing various parts of the sample card refer to the following: (1) code number of section for refiling, (2) brief synopsis of the content of the evidence, (3) author of quotation, (4) author's qualifications, (5) source, (6) date of publication, (7) page, (8) one central concept of evidence, (9) initials of student researcher and consecutive number of total evidence cards researched by this debater.

The research process outlined here must continue throughout the year. Any topic will undergo substantial changes as the school year progresses. Professor Henderson's warning from the 1979-1980 *ERIC First Analysis* on a prior high school topic is still a valid observation:

> Those of you beginning to debate the new topic will want to broaden your reading, consider the implications of this first analysis, and discuss the potential implications with others. A debater should never rely on a narrow base of information, whether it be a compilation of viewpoints similar to *First Analysis*, a single news source such as a news magazine, a debate quote handbook, or the coach of a debate squad. Instead, the debater must broaden her or his understanding of the political context within which the subject is being debated, and then exhibit that understanding to the reasonable, prudent, thinking individual who serves as judge for the debate.[6]

If the following chapters establish the framework for formulating a systematic consideration of this topic, their purpose has been accomplished.

2. The Problem Area: Poverty in the United States

How can the federal government best decrease poverty in the United States?

Overview

Until the Great Depression of the 1930s, the responsibility for meeting the needs of the poor was left to a large extent with the local community, church, and family. The American myth of corporate millionaires who began their business careers as newly arrived immigrants allowed no room for a permanent underclass. This "rags to riches" story was populated with those who were poor because of circumstances beyond their control—the widowed, orphaned, or disabled. These unfortunates would be reliant on the county poorhouse or private charities for care if they had no family to provide for them. The severe economic dislocations of the 1930s led to large scale government programs to provide jobs for the employable and income support for the needy who were unable to work. Douglas Greenwald, editor in chief for the *Encyclopedia of Economics* notes, "Most social legislation during and after the Depression assumed that poverty would be limited to a small group of people with little attachment to the labor force—retired, disabled, and widowed persons. These people would be cared for by the income support system established by the Social Security Act of 1935."[1] In the early 1960s, the public was shocked to discover widespread poverty in the midst of prosperity. The concern of Presidents Kennedy and Johnson led to the "War on Poverty" beginning in 1964. Since that time, programs to aid the poor have grown from $2.2 billion in 1965 to over $72.5 billion in 1980.

Every American president since Johnson has tried to reform this complicated welfare system. Most have met with only limited success. Greenwald explains why little progress has been made:

> Congressional conservatives shunned the high budgetary costs and the reliance on work incentives rather than work requirements in these proposals. They also objected strongly to the consequence of keeping benefit reduction rates reasonably low—lower-middle-income people would have been eligible under some proposals. Liberals would not back programs which offered less-

> than-poverty-line incomes to those who could not work and reduced payments below the amounts available under some existing programs. A political stalemate ensued.[2]

This impasse continues to exist under the Reagan administration. So, debaters will once again have the opportunity to argue modifications in our public policy toward poverty.

This chapter will concentrate on a number of general issues which are common to the problem area and three specific debate resolutions. Initially, the basic difficulty with defining or measuring poverty will be explored. Then the question of which level of government, if any, should be involved with attempts to eliminate this problem will be addressed. Third, the issues involved with targeting these reforms to U.S. citizens will be noted. Finally, budgetary and spending issues will be briefly discussed.

Poverty

Who is poor? The *Encyclopedia of Economics* notes: "Poverty is a condition of material deprivation, usually defined as a lack of money income relative to some poverty threshold."[3] This level of need is in relation to the economic resources available to other members of society. An explanation of this concept is offered in a recent edition of *America* magazine:

> Poverty is a relative term. Most people who would be considered poor in the United States are, when compared with other countries or other historical periods, relatively well off. Refugees starving in the third world would look on our poor with envy. On the other hand, the unequal distribution of wealth in even a prosperous society means that some are poorer than others.[4]

Despite problems in determining who is poor, it is extremely important that some poverty line be drawn. Donald Chambers, professor of social welfare at Kansas University, explains:

> Any attempt to discuss poverty as a social problem must begin with its definition—one that measures the demarcation of the poor from the nonpoor. Moreover, what is needed is some public consensus about what constitutes poverty—that is, a social norm about where poverty begins and ends.[5]

Depending on the definition of poverty which is utilized, between 14 million and 45 million Americans are poor. A potential variation of over 30 million people who might be eligible for the benefits advocated by most affirmative teams is a significant policy issue on this year's topic.

Measurement

Poverty is both a fixed and a relative economic term. The U.S. Census Bureau reports a fixed income measure of poverty. For an urban family of four, the poverty line in 1982 was $9,682 a year. By this measurement, over 34 million Americans lived in poverty. This index is adjusted upward to account for changes in the Consumer Price Index (CPI) and reflects a minimum or subsistence level of existence. An example of a relative measure of poverty is provided by the Bureau of Labor Statistics' data which indicates "the average family needs $15,323 to maintain even a low standard of living and $25,407 to live moderately, while $38,060 would purchase a high standard of living. The median income for a family of four was $24,332 in 1980."[6]

These figures compare how certain families relate to the incomes generated by others. Professors Danziger and Gottschalk indicate that one relative concept of poverty would include all those families with less than half of the national median income.[7]

The "official" poverty index is the one offered by the U.S. Census Bureau. An August 1983 article in *Forbes* explained the history of this measurement:

> The official poverty level was first set in 1961 when the Social Security Administration devised an economy food plan with the Agriculture Department, set at the cost of a minimum adequate diet. On the assumption that a family spends one-third of its income on food, this figure was then multiplied by three. Since then it has been adjusted only to cover inflation.[8]

Forbes went on to describe the particular survey methodology used to determine these poverty statistics:

> In theoretical terms, the poverty statistics are thought to be pretty good. They are collected through monthly Labor Force interviews for the Current Population Survey, where 61,500 households are interviewed. Every March a supplemental interview is included, some by phone, some in person. The 1,500 interviewers are said to be among the best-trained in America. Each household in the survey is interviewed for four months and, after an eight-month gap, for four more months.[9]

Despite the existence of this "official" poverty line, it has not been used to determine benefits for most major income maintenance programs. For example:

> In the last ten years, almost none of the programs for Aid to Families with Dependent Children (AFDC) had a needs standard for determining cash benefits that was equal to the poverty line; most programs have been substantially less generous.

> None of the major social insurance programs (Social Security; Old Age, Survivors, and Disability Insurance (OASDI); unemployment compensation; and workmen's compensation) are related to the poverty line. All these programs are based on workers' contributions.
>
> None of the benefit standards of the Supplemental Security Income (SSI) program for the aged, disabled, and blind are equal to the poverty line in any given year; they are less by some $900 to $1,000.
>
> The federal food stamp program has, over the years, allowed receipt of benefits by persons or families with incomes 12 to 25 percent above the poverty line.[10]

This widely publicized index developed by the Census Bureau is used by the press and politicians as a yardstick for gauging the number of individuals who need government aid or assistance. However, this statistic is only marginally successful in measuring poverty.

Errors

There are hazards involved in the use of any data. These difficulties are multiplied when referring to poverty statistics, which "are probably the worst federal statistics ever developed," says presidential special assistant Robert Carleson.[11] The most common indictment of these statistics is that they do not adequately measure poverty. For example, in deciding who is above or below this line, the statistics do not count the value of noncash transfers (in-kind benefits) such as food stamps, school lunches, Medicaid, or subsidized housing. "Nor does it include the income value of assets such as a house or the possibility of drawing on savings."[12] The magnitude of these noncash transfers is revealed by the results of a 1979 Census Bureau survey:

> Using statistics from 1979, the Census Bureau found that under its current method of measuring poverty there were 23.6 million poor people, 11.1 percent of the population. But when a dollar value was applied to in-kind benefits from the Government, based on what it would cost to buy these benefits in the marketplace, the number of poor people dropped to 13.6 million, 6.4 percent of the population.[13]

Another problem is that the food budget originally used as the base for the poverty statistic was not adequate to sustain nutritional needs. Mollie Orshansky, the economist employed by Social Security to develop the initial "poverty" line in 1962, concedes that the food budget used was not the standard low-income budget but a special "economy" budget that nutritionists said was only for emergency short term use. In addition, the actual official poverty line was set 20 to 25 percent below the U.S. Department of Agriculture's benefit level.

Orshansky believes that the cumulative effect of this underestimation of food needs results in a poverty index which is currently 40 percent too low.[14]

A final general concern centers on the use of the Consumer Price Index to adjust the poverty line. The CPI is a measurement of the prices for a fixed "market basket" of goods and services established ten years ago. Buying habits have changed since then and the CPI market basket contains items such as mortgage payments which are not likely to be purchased by the poor. In addition, the CPI is not a good indicator of the proportion of family income now spent on food. "Food typically accounts for a considerably smaller fraction of family outlays now than it did previously, so that a newly developed poverty index would probably have to multiply minimal food costs by five instead of three to establish overall need-level."[15] In the other direction, the CPI has not measured the true rate of inflation for food items. "By 1979," Chambers notes, "the food index had increased 15 percent more than the total CPI. This resulted in the effective reduction of the poverty line."[16]

Impact

What is the impact of our inability to determine the true number of poor in America? At its most basic level, it will be virtually impossible to determine the true costs of proposals aimed at providing jobs or income support to all the poor. The risk is ever present that too strict a measure of poverty will miss some people who are in need while an expansive measure will include some who are not needy. A common indictment of the status quo's approach of income maintenance is the alleged number of freeloaders or frauds who sign up for assistance. This problem could be greatly increased if a program of additional income benefits were established.

Government Involvement

Historically, the family or private organizations operated as the first line of defense in dealing with those in need. As a system of public or government welfare systems developed, reliance on earlier types of support diminished. Today the private sector does very little to meet social welfare needs. In contrast, government involvement in the area of human services has dramatically increased.

This section of Chapter 2 discusses the use of volunteers and private contributions to replace public funding for welfare. The different levels of government involved in funding and administering jobs and

poverty programs are then discussed, with particular attention given to the concept of federalism.

Private Sector

During his campaign for the presidency in 1980 and his first years in office, President Reagan has advocated an increased use of volunteers and corporate donations to meet social needs. In the fall of 1981, President Reagan said he was "counting on voluntary strength as we turn from government doing for us that which we best do for ourselves."[17] Not only would assistance from the private sector reduce the expenditure of public funds, but it would also deliver services in a manner preferred by the poor. Robert L. Woodson of the American Enterprise Institute notes:

> As two independent studies have shown, when people are given a list of eight possible sources of help, the first seven preferred are always neighborhood people—family, neighbors, hairdressers, ministers, and the like. The poor turn to professional agencies only as a last resort, yet this resource of last and least preference is the one we have been funding.[18]

There have been some notable success stories involving private poverty assistance programs. Corporations in Baltimore have pooled resources to keep job and service programs operating; Dade County, Florida, has developed a network of volunteers to give support to the elderly; San Diego staffs recreation programs and programs for the aged with volunteers; local community organizations have set up food banks to aid the hungry.[19] Unfortunately, this increased reliance on the private sector is occurring at the same time that such agencies are undergoing their own fiscal crisis. Federal funds which account for as much as 35 percent of the income of nonprofit organizations have been curtailed. The recent recession has led to a leveling off of business philanthropic activities. In addition, changes in the federal tax laws have reduced the tax advantage of charitable donations. The effect of these factors will cause most nonprofit organizations to reduce their level of services. Decker Armstrong, the director of policy analysis at Public Strategies concludes: "[C]onsequently, major new assistance in meeting human needs by the private sector seems unlikely."[20]

There are other barriers to large scale use of private welfare programs. Many organizations are not structured to effectively deliver social services. Others may not be interested in aiding controversial causes or providing free services which would reduce the number of paying customers for profit making businesses such as nursing homes, rehabilitation centers, and child care centers.[21] What is true of organi-

zations is also true of individuals. Cilla Brown, director of the Campbell County Department of Social Services in Virginia, warns that volunteers have their own norms and values which dictate the type of program and people they will help.

> Volunteers want to help people who are willing to help themselves or demonstrably cannot help themselves. Less than 10 percent of all charitable gifts made annually in this country is for social services. A breakdown of how volunteers give their time shows that 10 percent is donated to educational programs and 8 percent to health activities, while only 3 percent is given to the social welfare field.[22]

Private agencies provide numerous benefits as a source for delivering social services. Professor Gronbjerg of Loyola University of Chicago cites these unique advantages of a private welfare system which would complement government-provided assistance. However, he is forced to conclude:

> Most private welfare agencies will not be able to meet the increased demand for services and benefits without increases in income and/or restructuring of their programs. Salamon and Abramson (1982) estimated that nonprofit organizations would need to increase their total revenues by 34% in 1985 over 1980 (in constant dollars) to compensate for the federal service cuts. For private philanthropy to fill the gap would necessitate an increase of 80%–90% per year in private voluntary donations. This is at least eight times greater than the highest growth in philanthropic donations ever achieved.[23]

The inability of the private sector to meet the demands for social services means that the government will remain the predominant provider of funding and delivering such programs.

Federalism

The issue of federalism is deeply involved with current discussions of welfare reform. President Reagan has promised a major change in the relationship between the states and the national government. This "New Federalism" is explained by Eizenstat and Kahn:

> There were three basic components to President Reagan's original proposal. The first was a "swap" by which the federal government would assume full financial responsibility for Medicaid, while the states would assume full responsibility for the food stamp program and Aid to Families with Dependent Children (AFDC). The second was a "turn-back" to the states of about forty categorical and block grant programs. The third was a transitional trust fund, to be phased out by 1991, that ostensibly would equalize for the states the advantages and disadvantages resulting from the swap. The fund would also provide funding initially for the turn-back programs.[24]

Federalism refers to the sharing of responsibilities between the state and federal government. This year's problem area and debate resolutions call for the federal government to be the agent of change for income maintenance or guaranteed employment. In this context, the "federal government" usually refers to the national government housed in Washington, D.C., as contrasted to the various fifty states. The thrust of these propositions is to keep the federal government a major force in this area of domestic policy, a position opposed by our current president. Reagan supports a return of domestic affairs to the states who were primarily responsible for the welfare of their citizens before the "New Deal" of the 1930s.

The issue of which level of government is responsible for the provision of assistance to citizens is as old as the debate between Madison and Hamilton on the role of the federal government. In *The Federalist* (No. 45) Madison described his view of dominance of the states:

> The powers delegated by the proposed Constitution to the federal government are few and defined. Those which are to remain in the state governments are numerous and indefinite. . . . The powers reserved to the several states will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the state.[25]

Hamilton, however, relied on the general welfare clause to argue for broader powers for the federal government: "The phrase is as comprehensive as any that could have been used because it was not fit that the constitutional authority of the Union, to appropriate its revenues, should have been restricted within narrower limits than the general welfare, and because this necessarily embraces a vast variety of particulars which are susceptible neither of specification nor of definition."[26] Hamilton's position was accepted by the Supreme Court in the 1930s and is the basis for extensive national involvement in welfare and employment programs.

Compounding this ideological struggle is a question of which level of government can best meet the present needs of U.S. citizens. It is claimed that the states are closer to the people, better able to respond to true needs with a minimum of red tape, and more capable of developing innovative approaches to solving problems. It is also claimed that only the federal government has sufficient resources to fund major domestic programs with an ability to eliminate program disparities between states. Eizenstat and Kahn criticize Reagan's approach to federalism and offer their own idea:

> The president is correct in calling for a new federalism and focusing attention upon intergovernmental relations. It is time for a new federalism, but not President Reagan's version. Rather, a

> new federalism must recognize greater national uniformity of income-maintenance programs; continued federal assumption of responsibilities states, localities, and the private sector are unable or unwilling to perform; further program reform consolidation and simplification at the federal level; greater state responsibilities for programs with a primarily local impact; and more state and local discretion in administration.[27]

The issues involved with federal involvement in welfare and employment are sure to be vigorously debated in many rounds during the forensic's season.

U.S. Citizens

All three debate resolutions call for changes in policy for U.S. citizens. In the United States, citizenship is defined by the Fourteenth Amendment to the Constitution as follows: "All persons born or naturalized in the United States and subject to the jurisdiction thereof are citizens of the United States and of the State wherein they reside."[28] This definition and, by extension, the debate resolutions, exclude refugees and immigrant aliens. These groups are a large segment of the American population. Several hundred thousand Vietnamese, Cuban, and Haitian refugees have arrived in the United States during the past decade. In addition, 270,000 other legal immigrants are allowed into the U.S. each year.[29] There are also between 3 and 15 million illegal aliens living and working in the United States.[30] Thus, the number of noncitizens who may need the benefits of affirmative plans is quite significant. However, a strict reading of the terms of the proportions would deny access to these millions of noncitizens.

Present System

The status quo offers a mixed set of programs to those who are not U.S. citizens. David North, the director of the Center for Labor and Migration Studies for the New TransCentury Foundation, provides the following general information:

> Refugees have government-recognized needs and therefore better-than-average access to income-transfer programs.
>
> Legal immigrants are treated almost—but not quite—like citizens in income-transfer programs.
>
> Illegal immigrants are eligible for most social insurance program benefits and are generally ineligible for most welfare programs.
>
> Nonimmigrants' eligibility for income-transfer programs varies widely from program to program and from nonimmigrant class to

> nonimmigrant class. (Nonimmigrants are admitted temporarily to pursue a particular activity, for example, diplomats, tourists, students.)[31]

The eligibility of refugees and immigrants for existing income support programs is vividly presented in Table 1.

Policy Implications

Those pressures which lead to both legal and illegal emigration to the United States will continue for the future. James Fallows notes:

> According to the International Labour Organization, the total labor force of the Third World countries will be 600 million to 700 million people larger in the year 2000 than it was in 1980. To employ all those additional workers, the developing countries would have to create more jobs than now exist in Western Europe, Japan, the United States, the Soviet Union, and the other industrialized nations combined. Obviously, that will not happen, and some of those who cannot find work, especially in Latin America, will decide to leave.[32]

The challenge which confronts the policymaker is to design income-transfer programs which will not encourage illegal immigrants to stay in the country by subsidizing them, or exploit this class of workers through tax payments without benefits.[33] This careful balance must be found as affirmative teams develop their plans. There is some evidence of welfare fraud by illegal immigrants:

> While most surveys of illegal immigrants showed low welfare use rates, Maurice D. Van Arsdol of the University of Southern California found, in his study of a large group of illegal aliens in Los Angeles who had sought to legalize their status, that 8.9 percent of the men and 18.5 percent of the women had received welfare (not further defined).
>
> Matching the social security numbers of a small group of illegal immigrants (147) apprehended in California in 1975, the California Employment Development Department found that 49 percent had sought and 35 percent had received unemployment insurance benefits in subsequent years.
>
> The Los Angeles County Department of Public Social Services reported that, in the twelve-month period ending June 30, 1980, 19,088 claims filed by aliens were denied on the grounds of illegal presence in the nation. Had these claims not been detected, they would have cost about $50 million that year.[34]

Other data demonstrates that while such immigrants pay taxes to support Social Security and other social service programs, they seldom receive any benefits. Studies conducted by Jorge Bustamante of the Colegio de Mexico and by the U.S. Department of Labor showed that "while taxes and Social Security were withheld from the paychecks of about 75 percent of undocumented workers, only 1.5 percent of all

Table 1

NONCITIZENS' ELIGIBILITY FOR U.S. INCOME-TRANSFER PROGRAMS

Program	Civil Status		
	Permanent Resident Alien	Refugee	Illegal Alien
National (nationally administered)			
Social security			
OASDI benefits	yes	yes	yes
Payment of FICA tax	yes	yes	yes
Card issuance	yes	yes	no
Supplemental security income (SSI)	yes (after 3 years)[a]	yes	no
Medicare[b]			
Part A (hospital)	yes	yes	yes
Part B (physician)	yes (after 5 years)	no	no
Earned income tax credit (EITC)	yes	yes	yes
Federal (shared administration)			
Aid to families with dependent children (AFDC)	yes (after 3 years)	yes[e]	no
Refugee cash assistance (RCA)	no[c]	yes	no
Food stamps	yes	yes	no
Medicaid	varies[d]	yes	no
Unemployment insurance (UI)	yes	yes	no
State (state/locally administered)			
Workers' compensation	yes	yes	yes[f]
General assistance (GA) (in some states only)	yes	yes[e]	varies[g]
Temporary disability insurance	yes	yes	yes[h]

SOURCE: Adapted from David S. North with Jennifer R. Wagner, *Immigration and Income Transfer Policies in the U.S.: An Analysis of a Nonrelationship* (Washington: New TransCentury Foundation, 1980), Tables 4, 5, and 6.

a. See text.

b. Responses relate to those who are covered by Medicare because they are insured by OASDI. Different rules apply to those 20,000 or so persons who buy Medicare coverage directly.

c. Only permanent resident aliens who are also refugees are eligible.

d. A newly arrived immigrant could be denied Medicaid in some states because of lack of either SSI or AFDC eligibility.

e. Reimbursed in all states out of federal refugee funds.

f. Except in Vermont.

g. See Table 2.

h. Except in New Jersey.

From: David North, *Public Welfare*, Winter 1982, p. 31.

such individuals received food stamps, only 4 percent got unemployment compensation and only 4.5 percent had ever used public health services."[35] Regardless of the current use of such social services, those advocating a new system of guaranteed income maintenance or employment must be careful not to increase the incentive for emigration to the United States.

On the other hand, exclusion of noncitizens who are refugees and legal immigrants from a new federal income program would eliminate an important source of support for these hundreds of thousands of people. This problem would be multiplied greatly if current programs are abolished or consolidated to fund the costs of new affirmative proposals. A very real risk is created that a plan to reduce the impact of poverty for U.S. citizens would dramatically increase the incidence of poverty for refugees and immigrants. If employment programs are created, care must be taken that discrimination against naturalized citizens does not occur.

Budget and Spending

This final section of the chapter will briefly examine two general arguments against funding income support or employment programs. The first issue centers on the impact of new spending programs on the federal budget. President Reagan has indicated that he will not raise taxes to reduce the budget deficit[36] and that the only avenue open is to pare spending. Debaters should explore the effects of reduced levels of support for other domestic or military programs if a massive new income maintenance or employment proposal were to become law. In general, negative teams will argue that low priority spending programs would be curtailed or eliminated with the imposition of the affirmative plan. Lawmakers have other proposals including cutbacks in the military budget, increase in user taxes, freezing physician's fees under Medicare, or across-the-board reductions in all spending programs.[37]

Another issue raised involves the microeconomic spending decisions of the poor if their cash income were increased. Fears range from claims that those below the poverty line would spend extra income on high-priced luxury goods to assertions that funds would be squandered on alcohol, tobacco products, and junk food. An examination of consumer expenditures under income redistribution programs by John Moeller concludes:

> The results do not suggest that low income consumers will squander payments unnecessarily on sin goods and luxuries since the majority of NIT-induced expenditures are for basic necessities and other nondurables. There is no strong evidence that the infla-

> tionary energy industries will receive excessive stimulation from an NIT program, although the NIT does have an expansionary influence on the economy as a whole, particularly if it is deficit-financed.[38]

There are a number of other studies on consumer spending patterns which should be researched before the debate year begins.

Conclusion

This chapter has concentrated on common issues shared by all three specific debate resolutions under the poverty and employment problem area. The next chapter will examine the first and second debate propositions which advocate similar types of income assistance.

3. Income Maintenance Proposals

Resolved: That the federal government should guarantee a minimum annual cash income to all United States citizens.

Resolved: That the federal government should adopt a negative income tax to assist all United States citizens living in poverty.

Basic Concept

The first and second debate propositions both deal with the same issue of providing minimum cash incomes to United States citizens. These resolutions were significantly behind the employment proposition in the February voting tabulated by the National Federation. It is extremely unlikely that either the guaranteed annual income (GAI) or the negative income tax (NIT) will be debate topics next year. However, both topics require an exploration of important social and political issues which directly affect the need for federally guaranteed jobs.

While both the GAI and the NIT will be treated alike, there are two important distinctions between the resolutions which must be mentioned. First, the GAI proposition is not restricted to citizens living in poverty. An income guarantee could be set at any level which an affirmative could justify whether above or below official poverty lines. A second distinction is one of form rather than substance. The GAI would be part of the expenditure budget of the federal government while the NIT would be a credit on revenues during the collection of taxes. The impact on the pool of funds available for other budgeted programs would be the same regardless of whether the subsidy occurs before or after tax revenue is deposited in the Treasury for disbursement to the public.

This similarity between the GAI and the NIT is reinforced when the phrase "negative income tax" is defined. *The Dictionary of Business and Economics* defines negative income tax as "a form of welfare payment whereby all low-income individuals and families receive a direct cash subsidy from the government that is sufficient to raise them to subsistence level."[1] *The Dictionary of Modern Economics* provides a more elaborate definition:

> Negative Income Tax. An income maintenance scheme in which individuals or households with an income which falls below some

> "break-even" level receive payments, the level of payment being related to the level of income. Those with no other income thus receive a guaranteed minimum. The guaranteed minimum income level may be calculated from the break-even level of income and the rate which relates the "negative tax" payment to income. This type of scheme is formally identical to the tax credit system since it is composed of the same elements: (1) a guaranteed minimum (2) a tax rate (3) a break-even point.[2]

As these definitions demonstrate, modern economists consider the GAI and the NIT as the same policy proposition.

Present System

The present system is best characterized as offering a multifaceted approach to solving the problems associated with poverty and unemployment. Unlike the GAI and NIT which offer cash income, government programs now provide both cash and in-kind assistance as well as access to low-cost social services. For example, Social Security and Supplemental Security Income from the federal government and Aid to Families with Dependent Children (AFDC), which is administered and partially funded by the states, all provide cash to eligible recipients. Among the in-kind programs are: federally funded Medicare and state-administered Medicaid, which pay the hospital and doctor fees for the aged and the poor, and food stamps, which provide subsidized purchases of food goods for approximately 22 million low-income Americans. The federal government also supplies block grants to the states to develop low-cost child care, recreation, housing, and nursing home services for the needy.

In addition, while the debate propositions call for action by the federal government, the status quo involves every level of government in establishing, funding, or administering poverty programs. Social Security, Supplemental Security Income, and Medicare are entirely federal programs. AFDC, food stamps, and Medicaid receive partial federal funding but are administered by the states. Many states also fund and administer their own general welfare assistance programs for those ineligible for other state or federal aid. Table 2 presents the total per capita public social welfare expenditures for selected years since 1950. This data confirms the growth in magnitude and variety of such outlays.

Federal Rationale

This bewildering array of income and benefit programs lends itself to claims of widespread confusion, fraud, and abuse. As noted in Chapter 2, the present administration hoped to reduce the intrinsic prob-

Table 2

TOTAL AND PER CAPITA SOCIAL WELFARE EXPENDITURES UNDER PUBLIC PROGRAMS IN CURRENT AND CONSTANT (1980) DOLLARS, SELECTED FISCAL YEARS, 1950-80

Fiscal year	Total expenditures		Per capita expenditures for—						
	Amount in millions[1]	Per capita[2]	Social insurance	Public aid	Health and medical programs	Veterans programs	Education	Other social welfare	All health and medical care[3]
	Current dollars								
1950	$23,420.8	$152.56	$32.19	$16.26	$13.44	$44.18	$43.47	$2.92	$19.97
1955	32,511.8	194.60	58.71	17.98	18.58	28.46	66.68	3.71	26.47
1960	52,106.3	291.42	105.35	22.46	24.45	29.52	96.43	6.24	35.03
1965	76,928.6	391.15	142.29	31.95	31.76	30.30	142.73	10.50	48.48
1970	145,483.9	698.90	261.75	79.26	46.88	43.16	244.56	19.93	121.32
1975	289,369.2	1,326.20	561.34	189.32	81.52	77.32	370.32	31.84	239.91
1977	359,753.6	1,616.19	719.83	239.30	90.43	84.71	421.59	40.75	302.87
1978	393,705.6	1,750.31	774.59	264.05	103.31	87.04	451.14	46.96	343.37
1979	429,678.5	1,889.58	850.48	281.25	111.15	89.83	480.29	48.71	383.53
1980	492,231.7	2,140.08	994.15	314.71	122.53	92.50	524.10	61.02	437.81
	Percentage increase from selected year to 1980								
1950	2,002	1,303	2,988	1,835	810	109	1,106	1,990	2,092
1955	1,414	999	1,593	1,650	558	225	686	1,545	1,554
1960	845	650	844	1,301	400	213	444	878	1,150
1965	540	447	599	883	285	205	267	481	803
1970	238	206	280	297	161	114	114	206	261
1975	70	61	77	66	50	20	42	92	82
1977	37	32	38	32	35	9	24	50	45
1978	25	22	28	19	18	6	16	30	28
1979	15	13	17	12	9	3	9	25	14

	Constant (1980) dollars								
1950	$73,650.3	$479.75	$101.23	$51.13	$42.26	$138.93	$136.70	$9.18	$62.80
1955	90,562.1	542.23	163.54	50.08	51.75	79.28	185.74	10.33	73.73
1960	129,940.9	711.77	262.72	56.01	60.97	73.62	240.47	15.56	87.36
1965	178,488.6	907.54	330.14	74.13	73.69	70.30	331.16	24.36	112.48
1970	281,945.5	1,354.46	507.27	153.60	90.85	83.64	473.95	38.62	235.12
1975	413,976.0	1,897.28	803.06	270.84	116.62	110.62	529.79	45.55	343.22
1977	463,003.4	2,080.95	926.42	307.98	116.38	109.02	542.59	52.45	389.79
1978	473,203.8	2,103.74	931.00	317.37	124.17	104.62	542.24	56.44	412.70
1979	473,735.9	2,083.33	937.68	310.09	123.10	99.04	529.54	53.70	422.86
1980	492,231.7	2,140.08	994.15	314.71	122.25	92.50	524.10	61.02	437.81
	Percentage increase from selected year to 1980								
1950	568	346	882	516	189	−33	283	565	597
1955	444	295	508	528	136	17	182	491	494
1960	279	201	278	462	101	26	118	292	401
1965	176	136	201	325	66	32	58	150	289
1970	75	58	96	105	35	11	11	58	86
1975	19	13	24	16	5	−16	−1	34	28
1977	6	3	7	2	5	−15	−3	16	12
1978	4	2	7	−1	−2	−12	−3	8	6
1979	4	3	6	1	−1	−7	−1	14	4

[1]Excludes expenditures within foreign countries for OASDHI and Civil Service retirement benefits, veterans' programs, and education. See table 1 for data including foreign payments.

[2]Includes housing, not shown separately here.

[3]Combines "health and medical care" with medical services provided in connection with social insurance, public aid, veterans', and vocational rehabilitation programs.

Source: Constant-dollar expenditures based on implicit price deflators for personal consumption expenditures, prepared by the Bureau of Economic Analysis, Department of Commerce.

From: *Social Security Bulletin*, August 1983/Vol. 46, No. 8

lems created by multiple programs by returning responsibility for welfare to the states in exchange for "federalization" of medical benefit programs. So far Congress has resisted this attempt to restructure current efforts.

There are several advantages usually cited for retaining a strong federal presence in the provision of support to the poor. The Advisory Commission on Intergovernmental Relations in a 1980 study provided a tripartite test to help determine which level of government should be responsible for certain functions. The determining factors are: the history of local versus national involvement; the relative amount of federal financing; and the effect of turning responsibility over to the states which could result in destructive competition among programs.[3] Historically, no level of government has a long history of supporting welfare programs. However, since the 1930s "the federal government has assumed a dominant role in the formulation of national welfare programs."[4] Similarly, even after Reagan's budget cuts, the federal government provides the bulk of welfare expenditures. "Federal aid for welfare and other public assistance programs is more than 75 percent of the intergovernmental total: of the two major federal assistance programs, the food stamp program is virtually 100 percent federally financed; Aid to Families with Dependent Children (AFDC) is 54 percent federally financed."[5] The final factor, the effect of interstate competition, is especially important in discussions about funding poverty programs. States spend over $25 billion on welfare and in-kind assistance to the poor. Attorneys Eizenstat and Kahn note the reality of payment disparity between states:

> States vary in their capacity and desire to support welfare payments as well as in their sensitivity to recipients. Some states are leery of increasing benefits for fear the poor will be attracted from other states; others are tempted to cut benefits so that the poor will move elsewhere. This has led to a crazy-quilt system in which a welfare family in Alabama receives a $148 per month while a similar family in California receives $601; or $392 per month in New Hampshire, but $558 in neighboring Vermont.[6]

Bruce Babbitt, governor of Arizona, concludes that increased federalization of benefit programs is the best solution. He notes that nearly every national organization concerned with welfare policy, including the National Governor's Association, the Conference of State Legislatures, the Conference of Mayors, and the American Public Welfare Association, support federal standards and funding for the Aid for Dependent Children (AFDC) program.[7] This approach also would follow the example of other countries which base their legal system on Anglo-American traditions. Professors Kahn and Kamer-

man examined the income maintenance and family support policies of seven foreign countries. They conclude:

> Thus, Australia, the United Kingdom, and Israel all now have a national, means-tested benefit for those whose income falls below a particular level. Canada is moving in this direction; and the United States has accomplished this for the aged and disabled, but not for families with children. Here, the United States remains an anomaly, neither reducing use of public assistance by expanding alternative sources of income support (except for food stamps and EITC [Earned Income Tax Credit]) nor fully standardizing and objectifying income-tested income transfers. The United States still uses public assistance extensively, and the result is that families in most states are much worse off than they are in any of the other countries.[8]

While these may be reasonable policy justifications for greater reliance on the federal government, the Reagan administration's actions since 1981 have reduced or capped federal spending on many social programs.

Budget Reductions

The primary reason government-funded public welfare programs are changing dramatically is the combination of reduced budget outlays and increased number of aid recipients. Perhaps the most significant revisions are a result of the 1981 Omnibus Budget Reconciliation Act. This federal law cut basic welfare programs by 10 percent. The Council of State Government's publication, *The Book of the States,* notes how these reductions were achieved:

> . . . first, current and potential beneficiaries of these programs are either encouraged or required to make a greater effort to support themselves by working more and relying on financial sources other than federal aid; second, state and local responsibility for funding, as well as administering public welfare, was substantially expanded. Put simply, the reconciliation act aimed at reducing both the number of people assisted by public welfare and the federal role in providing it.[9]

David Stockman, head of the federal Office of Management and Budget, notes that domestic spending is $60 billion lower than it would have been under pre-Reagan budgets. The Great Society programs such as job training and various social service grants have not been eliminated, but "the level has been adjusted downward by about 20%."[10]

The effect of such action is the focus of an ongoing political debate which will be one of the campaign issues in the fall 1984 presidential

election. Associate Editor David Kirp sets the parameters of the controversy:

> Ever since the Reagan administration proposed—and won from Congress—substantial cuts in social welfare programs, the impact of those reductions has been sharply debated. Administration spokesmen have insisted that only those who didn't really need help were being removed [from] the public dole; the "social safety net," they argued, remained intact. The opposition countered with the contention that poor people would be badly—and unfairly—hurt.[11]

Several studies, including one released by the Congressional Select Committee on Children, Youth and Families, indicate an increase in the number of poor due to unemployment and changed priorities in the federal budget. For example, one out of five children and one of two black children now live in poverty. The proportion of Americans living below the official Census Bureau poverty level increased from 11.7 percent in 1979 to 15 percent in 1982. There were over 34 million Americans living in poverty which "means that many of the hopes parents have for their children—better health, better training and a better standard of living—will be weighed ever more carefully against their financial capacity to attain them."[12] As of 1983, many of these families were worse off than they were four years earlier. Among the reasons for this development are funding or eligibility restrictions on public assistance programs.

> There is a ceiling on AFDC payments (150 percent of state maximum), a four-month limit to the modified earnings disregard, and a more stringent ceiling on work expenses and child-care costs. There is a new cap on food stamp eligibility. Benefit levels have not been adequately adapted to inflation. And income supplementation for the working poor has been explicitly rejected by the Reagan administration.[13]

Optimistically an improving economy, increased government revenues, and fairly stable government expenditures for poverty programs will improve the status of the poor. Stockman believes that Congressional Democrats will not acquiesce in future budget cuts in federal entitlement programs. Nor is there much room for significant budget reductions as Stockman concludes:

> A lot of entitlements have already been effectively cut. On Medicare, for instance, we've already reined in the providers of medical services. We can make the beneficiaries pay a little more, but not a great deal. That's just a couple of billion. Civil service retirement reform is difficult. There is $65 billion in means-tested entitlements, such as food stamps and AFDC (Aid to Families with Dependent Children, or "welfare"). AFDC was restructured

> in 1981; what more can you get out of it? With housing subsidies, we closed down new construction, but this yields little near-term savings.[14]

The next sections of this chapter will examine the major public assistance programs which are the foundation of government's support for the poor.

Social Security

The largest expenditure for social welfare is the Old Age, Survivors, Disability and Health Insurance (OASDHI) program, better known as Social Security. This is an entitlement program which means that Congress has decreed that benefits must be paid to all eligible persons. Social Security is funded by a payroll tax on both employers and employees and is actually a "social insurance" program. Through tax contributions the worker and the worker's family are insured against certain risks such as old age, physical injury, or disability. While Social Security is usually perceived as primarily providing benefits to retired individuals it is actually a broad based program which supports disabled workers and the widows and children of deceased employees.

In 1980, OASDHI paid out over $121 billion in benefits to almost 36 million people. In 1981, Congress and the president revised Social Security to reduce costs and tighten eligibility. Again in 1983 the program was overhauled to ensure its solvency for future generations. Even with these modifications, the Social Security trust funds, according to the *Congressional Quarterly Weekly Report,* "are expected to pay out $190.6 billion in fiscal 1985, an $11.4 billion increase over 1984. This is approximately one-fifth of all federal spending projected for fiscal 1985.

The increase is the result of an additional 700,000 elderly beneficiaries, an estimated 4.3 percent cost-of-living increase in benefit payments and higher average benefits due to the higher earnings of new beneficiaries."[15] It appears that Social Security payments are essentially safe from future budget cuts. Few politicians are willing to risk the political consequences of depriving the aged, widows, and orphans of needed income. Stockman bluntly concludes:

> As for Social Security, you're not going to take checks out of the mail. The best you can do is erode their purchasing power by capping COLAs [Cost of Living Adjustments] below the inflation rate. But capping COLAs will take several years to have a significant fiscal effect.[16]

Those receiving disability benefits under Social Security were not as fortunate as the aged. In 1980 Congress passed several reform measures to eliminate abuse and fraud in the payment of disability claims. Approximately $10 million would be saved by 1985 under this legislation. However, the Reagan Administration sought to save almost a billion dollars by trimming the disability rolls. The impact of these cutbacks is provided by Kirp in an editorial on the poor:

> Thousands who literally weren't able to leave their homes were axed from the disability rolls without even a face-to-face interview; thousands more were chopped despite their having shown no sign of medical improvement. Although beneficial cutoffs were frequently reversed on appeal—of the 470,000 individuals who were denied disability benefits, just 190,000 have been finally terminated—beneficiaries often went many months without help while awaiting a decision.[17]

Congress is now seeking to redress the inequities created by the termination of benefits to thousands of Americans.

Supplemental Security Income

Supplemental Security Income (SSI) is a program under the Social Security Act which provides cash benefits to poor persons who are over the age of sixty-five, legally blind, or permanently disabled. Prior to 1974, assistance to these individuals was part of state welfare programs. The Council of State Governments explains the reasons for placing this program at the federal level.

> The federalization of the adult categories was designed, among other things, to reduce the variation in benefit levels among the states by providing a uniform national minimum benefit, streamline administration by lodging it in the Social Security system and assure that benefits would keep pace with inflation by indexing the basic federal payment to the cost-of-living. States were mandated to supplement the federal minimum up to the level of assistance they were providing in December 1973 and could provide optional income supplements to higher levels.[18]

In effect, the combination of federal minimum assistance and mandatory state contributions means that SSI provides a guaranteed annual income to eligible recipients.

As of 1983, all states except Texas provided either mandatory or optional income supplements to low income aged, blind, or disabled citizens. The administration of these supplementary benefits changes with each jurisdiction. Half the states contract with the Social Security Administration to administer their supplements while the others either administer their own programs or combine federal and state administration. The Department of Health and Human Services esti-

mates that "about 4 million people would receive SSI benefits averaging $189 a month in 1985."[19]

Medicare

Another important component of the social insurance system is the Medicare program. This federal program was established in 1965 as part of the Social Security Act and provides health insurance coverage for virtually all citizens sixty-five years of age or older. Portions of both hospital and doctor bills are covered by Medicare. "Part A of Medicare covers hospital services, and Part B (Supplemental Medical Insurance) covers a substantial portion of physicians' services. Medicare is an entitlement program financed mainly by Social Security tax revenues, although eligible persons are required to pay a deductible for hospital services and a 20 percent co-payment on physicians' services."[20] These deductibles and co-payments, as well as limits on the type and extent of out-patient care, work particular hardships on low-income individuals. Despite these restrictions on coverage, federal spending on health has increased dramatically. In 1985 Medicare outlays alone will reach almost $76 billion, which represents the second largest budget item in the domestic budget.

Cost increases in health disbursement programs have led to increasing concerns for the long-term viability of the Medicare trust fund. Hospital and physician fees have increased more rapidly than inflation and the Congressional Budget Office predicted that the Medicare fund would be bankrupt by 1987. The Department of Health and Human Services believes that this fund would be solvent at least through 1989. However, a variety of reform measures have been proposed to deal with long-range problems of Medicare.

> Proposed changes include freezing Medicare physician fees for a year, postponing eligibility for Medicare until a month after a person's 65th birthday, and increasing premium payments by beneficiaries. These proposals, together with a proposed tax on employment-based group health benefits, were proposed in last year's budget but never cleared by Congress.[21]

Medicare is one of two major government-funded health programs. The other is Medicaid.

Medicaid

Medicaid is a joint federal and state venture providing payments to doctors and facilities involved in care for the poor. In 1985 it is estimated that the federal share of Medicaid will amount to $22 billion

while states will contribute an additional $19 billion. All states now provide coverage to all AFDC and SSI recipients. Two-thirds of the states also provide payments to meet the medical needs of "medical indigents" who are not eligible for AFDC or SSI but who cannot afford to pay their medical expenses. Three major groups are covered by Medicaid:

- Medicaid is an insurance program for poor children from single-parent families and for their parents. This group accounts for 63 percent of all Medicaid recipients and 28 percent of Medicaid expenditures, more than half of which are for children.
- Medicaid is an insurance program for the blind, the physically disabled, and the mentally retarded. This group represents less than one-fifth of all Medicaid recipients, but 31 percent of Medicaid expenditures.
- The Medicaid program is an insurance program for the elderly. Although the elderly represent only 16 percent of Medicaid recipients overall, long-term care services consumed almost one-half of all Medicaid expenditures in 1981, and Medicaid finances almost one-half of all nursing home care in the country.[22]

Medicaid payments reimburse health care providers for such services as inpatient and "outpatient care, laboratory and x-ray services, skilled nursing and home health care for certain individuals, physician services, family planning, rural health clinics and health screening for children. States may also receive funds for other services they wish to cover, such as eyeglasses, dental care and intermediate care facility services."[23] As with other assistance programs, Medicaid has been cut back in recent years.

There were several important modifications in Medicaid brought about by the 1981 Budget Reconciliation Act, including:

- state waivers to encourage use of home and community care facilities
- state experimentation with alternate health care delivery systems
- state reimbursements for hospital services on a basis other than reasonable costs
- state limitations on freedom of choice of health care providers
- wider state discretion in setting eligibility standards for Medicaid
- incentives for cost containments

Unfortunately, the easiest methods for containing costs are cutting benefits and reducing eligibility—moves already taken by most states. A 1981 study by the Intergovernmental Health Policy Project at George Washington University reported that "more than 30 states moved to cut back Medicaid benefits or provide reimbursements to

limit Medicaid eligibility. Among the specific modifications are the following:

- 14 states have begun charging copayments for some services
- 24 states have restricted the use of medical services such as limiting the number of doctor, emergency room, and outpatient visits or reducing services
- 11 states have limited the number of reimbursed hospital days
- 8 states have tightened eligibility criteria
- 19 states have limited payments to hospitals
- 18 states have sought to limit recipient's choice of care providers."[24]

Medicaid provides a good example of the problems encountered with interstate variations in government assistance programs. Drew Altman, assistant vice-president of the Robert Wood Johnson Foundation, indicates that states have made different choices with regard to this program.

> As a result, state Medicaid programs vary significantly in the percentage of low-income persons they actually cover, ranging from almost 100 percent of those living below the federal poverty standard in New York, Massachusetts, and California to less than 20 percent in several southern and southwestern states . . .
>
> As a result of this state-by-state variation, Medicaid covers roughly 50 percent of those living below the federal poverty standard nationwide; it is not a comprehensive national health insurance program for the poor.[25]

These disparities are also evident in another major federal-state program, Aid to Families with Dependent Children.

Aid to Families with Dependent Children

The Aid to Families with Dependent Children (AFDC) program provides financial assistance to the children of indigent single-parent families. About half the states also supply funds for poor two-parent families if one of the parents is unemployed. AFDC offers cash payments to over 3.5 million families representing almost 11 million individuals. A 1979 survey by the Office of Research and Statistics of the Social Security Administration indicated that nearly 70 percent of recipients were children, most were members of families living in metropolitan areas and were headed by women. The $13 billion cost of this program is shared through a combination of federal and state revenues. States set their own benefit levels and the federal government reimburses them for share of the costs, ranging from 50 percent to 78 percent. Poorer states get the higher share.[26]

Each state administers this program within broad federal policy guidelines. Different eligibility requirements and benefit levels result from this state-by-state administration. The Council of State Governments reports the variation in payments: "In December 1980, the average monthly payment per AFDC recipient ranged from a low of $16.57 in Puerto Rico to a high of $162.61 in Alaska; for the country the average monthly payment per recipient was $99.61. The average annual payment at that time was $3,453—approximately 55 percent of the poverty line for a non-farm family of three (the size of the typical AFDC family)."[27]

As with other public assistance programs, the 1981 Omnibus and Reconciliation Act made major changes in AFDC. The goals of these reforms were to reduce welfare expenditures while providing adequate aid for the truly needy. Among the more important administrative revisions were the following:

- states are given authority to require AFDC recipients to work
- new limits are placed on the amount of earnings for work and child care expenses which are allowed to be deducted
- states are required to recover overpayments and compensate for underpayments
- new requirements for monthly reporting of recipient's income potential
- recipients are restricted to under $1000 of family resources
- restricts payments to families with unemployed principal earners
- child support payments can be collected to offset AFDC payments.[28]

The result of these statutory provisions and of reduced state payments for low-income families was a dramatic reduction in the living standards of the poor. A report compiled by the Congressional Research Service indicates that "the buying power of welfare benefits for low-income families with children has dropped 33 percent over the past 14 years because states did not raise benefits to keep pace with inflation."[29] Another study by the Center for the Study of Social Policy, Columbia University, and the University of Michigan analyzed the cases of 776 families headed by working women in three states. All families lost AFDC payments as a result of recent budget reductions. These 1981 cuts nearly doubled the number of families who lived under the poverty line.[30] The benefit loss amounted to between $1,400 and $2,700 a year in welfare payments alone, thus pushing more families into poverty. Among the specific data cited by the Congressional Study were the following:

> Between 31 percent and 63 percent of the children in these families now have no health coverage (the figure varying somewhat

> from city to city); as many as a quarter of the families have had to do without medical treatment when there was illness in the family. Over half report running out of food occasionally, with no money to buy more. Some families can't afford to buy clothing that their children can wear outside the home. As many as a third of the families have had their phone service cut off, lost their gas or have gone without electricity because they can't pay their bills.[31]

Eligibility for one program, such as AFDC, often is a condition for receiving other benefits, such as Medicaid. Thus, stiffer standards for one component of government assistance will cause a ripple of removals from related programs.

Food Assistance

A major focus of public concern in 1983 was the plight of the poor who were reported to be starving or malnourished. An *Editorial Research Reports* notes:

> The main problem today for the nation's poor appears to be hunger. In the last year evidence has accumulated from a variety of sources, including church groups, charitable organizations, city and county officials, congressional investigators and the media, that hunger is a significant and growing problem in the United States.[32]

President Reagan appointed a special task force to examine the problem of hunger in America. The panel concluded that while there was evidence of people going without food, it was impossible to document allegations of rampant hunger. Nor did the task force find evidence of widespread undernutrition among the poor. This group also recommended that states be permitted to drop out of federal food aid programs and receive a block grant to allow each state to set its own priorities in meeting the needs of its cities. Among other suggestions were:

- stiffer financial penalties for states that failed to bring their food stamp error rates down to the level mandated by current law. States not meeting the goal would have to make up the cost of any benefits issued to ineligible persons, in addition to losing administrative funds as they now do. However, those exceeding the goal could keep some of the savings.
- modest increases in the assets a food stamp recipient could own and in the maximum food stamp allotment. The changes could add about $500 million a year to the $10.9 billion food stamp program, according to task force estimates. However, some of that addition would be offset by other proposed changes.
- monitoring of data on nutrition and nutritional related problems.[33]

The task force's report was challenged immediately by a number of public interest groups who represent the interest of the poor. The Children's Defense Fund reported "between 1978 and 1982, there had been a 'nationwide shift away from early prenatal care for pregnant women and towards late or no prenatal care.' Nutritional supplements are an important component of prenatal care. The loss of early care was blamed on budget cutbacks in federal medical programs."[34] In early 1984, the Food Research and Action Center (FRAC) indicated:

> Infant mortality for black infants remained higher than for white and the gap between the two races was widening. Should current trends continue, FRAC predicted, the nation would not meet a 1990 federal goal for reducing infant mortality. FRAC officials maintained the overall improvements in the national infant mortality rate masked severe problems among poor and minority women and children.[35]

While it might be difficult to discover exact statistics on the number of poor in the United States who go without nutritious food, surveys conducted by state and local agencies and private groups indicate dramatic increases in the number of clients at soup kitchens, food pantries, and emergency feeding centers. *The New Republic* notes:

> The General Accounting Office, Congress's investigative arm, visited twenty-eight emergency food centers around the country in June and found that "in almost all cases, the emergency food centers were serving more today than in the past." The U.S. Conference of Mayors, representing mayors of both parties, termed hunger the single greatest problem facing U.S. cities. Another study by the Massachusetts Department of Public Health estimated that between 10,000 and 17,500 poor children in the state had their growth stunted as a result of chronic malnutrition.[36]

The government assumes a huge role in feeding the needy. Over $17 billion was spent in 1983 by the federal government on food aid. John Bode, deputy assistant secretary for food and consumer services for the U.S. Department of Agriculture, told Congress that food assistance programs or subsistence are responsible for providing 95 million meals a day.[37] President Reagan is proposing a 1985 budget which would modestly reduce the total amount of funds allocated to food and nutrition programs. The *Congressional Quarterly Weekly Report* notes:

> The budget proposes outlays totaling $17.2 billion in fiscal 1985 for food programs and a nutrition information service, compared with $17.6 billion for fiscal 1984. The reduction is attributed partly to reduced need because of the economic recovery, and partly to proposed savings that are modest in comparison with earlier Reagan cuts.[38]

The president has also requested a $1 billion supplemental appropriation for this year to maintain these programs at current levels. Nancy Amide of FRAC contends that another $2 billion is needed this year to improve the diet of the poor.[39] Table 3 presents information on the funding and scope of various foods and nutrition programs.

Food Stamps

Food stamps represent the largest item in the federal budget established to assist the poor in securing a proper diet. In 1983 a monthly average of 22 million indigents were helped to purchase food with a

Table 3

FUNDING FOR GOVERNMENT FOOD AND NUTRITION PROGRAMS
(in millions of dollars)

Fiscal Year	Food Stamps	Child Nutrition*	Food Donations**	Women, Infants and Children	Total
1969	$ 228.9	$ 313.8	$ 601.8	$ 0	$ 1,144.5
1970	549.7	419.5	558.5	0	1,527.7
1971	1,522.7	663.1	580.4	0	2,766.2
1972	1,797.3	892.4	586.1	0	3,275.8
1973	2,131.4	1,065.3	559.5	0	3,756.2
1974	2,718.3	1,270.9	548.3	11.1	4,548.6
1975	4,385.5	1,593.2	434.1	89.3	6,502.1
1976	5,326.5	1,926.6	500.9	155.5	7,909.5
1977	5,067.0	2,196.1	641.2	256.5	8,160.8
1978	5,139.2	2,424.3	775.5	387.7	8,726.7
1979	6,480.2	2,660.2	855.6	527.3	10,523.3
1980	8,685.4	2,843.1	1,151.8	739.4	13,419.7
1981	10,632.8	3,238.5	1,208.4	888.0	15,967.7
1982	10,409.0	2,775.1	1,237.1	957.6	15,378.8
1983#	11,858.0	3,028.0	1,750.5	1,160.0	17,796.5
1984#	11,054.0	3,183.0	1,304.0	1,060.0	16,601.0

*Includes school and breakfast, child care, summer food and special milk programs.
**Includes commodities distributed under school lunch, summer food, child care, needy families, supplemental food, charitable institutions, Indian, elderly nutrition and cash-in-lieu of commodities programs. Years 1978-84 include Agriculture Department purchases for agricultural price support programs and/or programs to remove perishable commodity surpluses from the market.
Estimates

Source: U.S. Department of Agriculture Food and Nutrition Service records compiled by U.S. General Accounting Office.

From: *Editorial Research Reports*, September 30, 1983.

subsidy through the use of food stamps. There are several unique aspects of this program which differentiate it from other government assistance. For example, it is completely federally funded, although administration is shared with the states. Food stamps also are available to all poor persons, not just those eligible for AFDC or SSI.

The 1981 Budget Reconciliation Act made a number of significant changes in food stamps to tighten eligibility. Included were the following revisions:

> (1) disqualifying any household with gross income above 130 percent of the federal poverty line, except for those with elderly members whose eligibility is determined using a "net income" (i.e., after certain income deductions have been taken) test; (2) prohibiting boarders and children living with their parents under age 60 from qualifying as separate households; and (3) excluding strikers from participation in the program.[40]

These modifications were made to stem the tide of fraud discovered in this program. A 1983 Government Accounting Office report estimated that over $1 billion a year was lost through abuse of the food stamp system.[41] The president has tried to convince Congress to make the states pay for a portion of the funds erroneously granted. However, he has not yet been successful in his efforts.

Food stamps are budgeted for $10.8 billion in 1985. This represents a $500 million decrease from this year. This decline is based on projected reductions in demand for food stamps and on passage of Reagan's state repayment proposal. Demand will be reduced for this program through a combination of economic growth reducing the number of poor and the 1981 eligibility requirements which alone will eliminate about one million potential recipients.

Other Food Programs

Many other government food assistance programs exist, ranging from commodity giveaways to diet and nutrition education. The Special Supplemental Food Program for Women, Infants, and Children (WIC) "provides monthly food packages to pregnant women, infants, and children up to four years old. The $1.1 billion program serves about 2.5 million Americans."[42] Eligibility for WIC is based upon two criteria: income no more than 185 percent of the poverty line and a past history of nutritional problems such as anemia or low birth weight infants. Other food and nutrition programs include:

> School Lunch—a $3 billion-a-year program that will provide government-subsidized lunches to 22.9 million eligible schoolchildren in 1983.
>
> School Breakfast—a $327 million-a-year program that will pro-

> vide government-subsidized breakfasts to 3.4 million eligible schoolchildren.
>
> Nutrition Education—a $7 million program that will provide nutrition education to 3 million children, 118,000 teachers and 60,000 school food service personnel.
>
> Summer Food Program—a $99 million program that provided lunches to 1.4 million children in needy areas this summer [1983] when school was not in session.
>
> Child-Care Food Program—a $334 million endeavor providing federal funds for meals served to some 1 million children in day-care centers.
>
> Commodity Supplemental Food Program—a $32 million program that will provide monthly food packages to about 135,000 pregnant women and young children this year [1983]. The program is similar to WIC, but provides the actual food rather than a voucher and distributes a greater variety of food than is available through WIC.
>
> Special Milk Program—a $20 million program that provides cash assistance to states to reimburse schools, child-care institutions and summer camps for milk served to children.
>
> Food Distribution—provides commodities for the programs listed above plus $52 million to serve some 90,000 needy persons on Indian reservations and $100 million to provide 184 million meals for the elderly.[43]

Many of these areas also were cut back under the Reagan Administration. An August 1983 Congressional Budget Office study noted a 28 percent reduction for child nutrition programs and a drop of 3 million participants in the school lunch program after new eligibility rules were promulgated.[44] For 1985, the president has planned slight reductions in funding for WIC and child nutrition areas of the budget.

Special Services and Other Income Assistance Programs

There are numerous government social service grants and low-income assistance programs which have not been mentioned. A few of the more important ones will be briefly discussed in this section of the chapter.

Housing

A 1982 survey by the U.S. Conference of Mayors found that the basic human necessities of food and shelter led the list of emergency services needed by most cities. While there is no official statistic on the number of homeless in America, experts believe that between 500,000 to 2 million people have no real home.[45] Increasing unemployment

and loss of income only partially accounts for what is literally a tide of street people. Other reasons include the accelerated deinstitutionalization of patients from mental hospitals who have no place to go when released into the community, the removal of former mental patients from Social Security Disability rolls, the acute shortage of low income housing, the reduced federal subsidies for construction of new low-income houses and apartments, and the public opposition to construction of low rent units for the poor and of group residential homes for released mental patients. Private groups are spending almost $500 million a year on providing shelter. Cities and counties are beginning to allocate additional resources for construction of low-income municipal shelters or for housing vouchers. Yet these efforts are not enough. Kim Hopper, research associate for the Community Service Society of New York notes: "More and more people are being pushed to the brink of having to choose between eating regularly and paying the rent. Without some form of subsidy, many of these people will eventually wind up on the streets."[46]

Federal action is slow in responding to this crisis. Only a small percentage of housing units are owned publicly, and federal subsidies go to a small number of needy. Professors Sternlieb and Hughes from Rutgers University offer this evidence:

> Direct publicly owned housing plays a relatively miniscule role. As of 1980, for example, only 1.3 million units, out of a total housing inventory of 88 million dwelling units, were publicly owned and operated. In total, about 4 million low- and moderate-income households were receiving some form of federal housing subsidy in 1980, only 5 percent of the nation's 80 million households. While state and municipal financing aid has grown in importance, their total input is still small—and spread to a variety of income groups, as indeed holds true for the federal input as well.[47]

The Reagan Administration proposes a housing voucher system which is an "earmarked income supplement to meet the gap between some appropriate portion of income—typically 25 percent, subject to certain allowances—and the market cost of extant housing."[48] Individual members of Congress have introduced various plans to meet the needs of the homeless. These bills include the following examples of government assistance: grants to cities to set up emergency shelters, grants to nonprofit agencies to convert existing buildings into safe shelters, tax incentives for developers to renovate potential shelters, and a jobs plan to find employment for the poor so they can afford decent housing.

If the plight of the homeless continues to attract media and political attention the progress of these proposed remedies must be followed in 1984. Many of these programs are stopgap measures to meet the cur-

rent crisis. Long-term solutions to the problems of those who lack adequate housing are still being developed.

Energy Assistance

During fiscal year 1981, Congress enacted the Low-Income Energy Assistance Program (LIEAP) to provide $1.85 billion in block grants to states, Indian tribes, and the territories to help needy people with heating and cooling bills. Rigby and Scott of the Office of Research and Statistics of the Social Security Administration provide the rationale for this income assistance proposal:

> Of particular concern to Congress was the impact of these increased fuel costs on the low-income population. In 1978, the percent of income that the poorest households spent for energy was more than four times that of the population as a whole. Since low-income households spend a larger proportion of their income on energy-related expenditures than do other households, they lose a larger proportion of their real incomes when energy prices rise.
>
> The 1981 program, unlike some of the previous federally funded energy assistance programs, was intended primarily to reduce the average home heating costs for low-income households.[49]

Low-income eligibility for this program was defined as a household in which "one or more persons receives AFDC, food stamps, SSI or certain veterans' benefits or to households with incomes that do not exceed 150 percent of the state poverty level or 60 percent of the state median income, whichever is higher. The state must publicize the program, with special emphasis on notifying elderly and handicapped persons."[50]

Under LIEAP, over 7 million households received heating assistance and 400,000 received cooling assistance at a cost of $1.56 billion to the federal government. After repeated attempts to cut this program, the president has recommended funding LIEAP at its 1981 level.[51]

Social Services

Social services differ from income assistance programs such as AFDC or SSI in that aid is given in the form of offering a service rather than a cash payment. Among those social services focused on the poor are day care, counseling, recreation centers, family planning, preschool education, nutrition education, and protective services.[52] Title 20 of the Social Security Act authorizes a Social Services Grant which in 1981 was transformed into a block grant. This means that federal funds are made available to the states for discretionary spending on a

broad range of services. The 1981 Budget Reconciliation Act also established a new community services block grant to states which was funded at $389 million a year, a 25 percent cut from the previous year.

Many of the programs consolidated into these two block grants were started in the 1960s under President Johnson's Great Society plan. The present administration proposes a total of $5.371 billion for social services for the aged, families, and others in 1985. This represents a decline of $642 million from 1984. The Social Services Block Grant would be funded at $2.7 billion, a slight increase over this year's budget.[53]

General Assistance

Many states provide their own general assistance or welfare for those who do not qualify for other federal or state programs. Depending on their economic situation, from 500,000 to 1 million people receive some type of cash or in-kind aid from states and localities. As with other programs involving state discretion, payments between states vary widely.

Welfare-Work Ethic

The preceding analysis of various cash and in-kind government assistance programs demonstrates the ambiguity of welfare in America. While the truly needy should be given assistance, the public must be ever vigilant that only the destitute receive subsidized aid. Compassion for the poor is mixed with resentment because of the belief that some people have it too easy.

It seems that no one is really pleased with the delivery of assistance to the poor. Keeley and Robins, senior economists at SRI International, note: "There is a growing consensus that current welfare programs are inequitable, have undesirable social and economic incentives, provide inadequate benefits for some, and are too complex to administer efficiently. Furthermore, the welfare system has become very costly."[54] Of course, the political and social debate centers on which direction welfare reforms will take. The current approach is characterized by removal of many marginal aid recipients from government assistance programs. Those individuals who are not eligible for such aid would receive little help if more money were suddenly pumped into existing programs. Professors Danziger and Gottschalk explain:

> The growth in transfers has been accompanied by some declines in work effort and savings that may have contributed to sluggish economic performance, but the magnitude of these declines is estimated to be small. Severe cutbacks of the programs will lead to small gains in efficiency but large increases in poverty. However, continued expansion of current transfer programs is likely to produce increasingly small reductions in poverty because it will not aid those among the poor who do not receive any transfers, and it will do little to reduce pretransfer poverty.[55]

President Reagan and his advisers are also relying on increased economic growth to enhance the position of those in poverty. However, this could be a long wait. Danziger concludes:

> President Reagan's welfare reform has reduced AFDC case loads and increased poverty for many welfare recipients who were mixing work and welfare. The Reagan program assumes that those who remain poor will be better off waiting for economic growth to trickle down from those above them rather than relying on welfare and public jobs programs. However, given the recent projections of high unemployment and slow economic growth through the mid-1980's, it is likely that the wait confronting these families will prove to be longer than they or the Reagan Administration anticipate.[56]

Much of the criticism leveled at the present system revolves around concerns that welfare discourages recipients from finding meaningful work. The generally held belief that something must be done about the "welfare mess" usually reflects a deeper attitude that many of the poor somehow choose a life of poverty instead of gainful employment. Sociologists Neubeck and Roach describe this concept:

> The poor are seen as largely indifferent to this (work) opportunity structure, preferring living on public handouts to working. The conception of the poor as basically lazy and responsible for their economic circumstances has long served as a rationale for limiting the extension of financial assistance. Anything more than the most meager and begrudgingly given aid—tied to a complex set of eligibility requirements and a constant search for "welfare cheats"—is seen as rewarding indolence, encouraging dependency on the dole, and increasing the tax burden of those who work for a living.[57]

George Mason University economist Walter Williams summarizes this view: "The poor are poor, not stupid. If you give them incentives to be poor they will stay that way. Entitlements subsidize poverty and anyone knows that when you subsidize something you get more of it and when you tax something you get less."[58] The particular "tax" which has been used to encourage the poor to become productive workers has taken the form of benefit reductions or workfare.

Workfare

Workfare refers to "a system that requires recipients of government assistance to 'work off' the values of their benefits in assignments with government agencies or nonprofit groups."[59] This is not a radical idea. Leonard Goodwin, professor of the Department of Social Service and Policy Studies at Worcester Polytechnic Institute, documents over three centuries of proposals to put the able-bodied poor to work. He notes the four basic propositions which serve as the foundation for workfare:

1. Welfare recipients should work for the public benefits they receive.
2. Workfare experience will improve job skills and work habits of participants.
3. Work requirements will discourage malingerers from applying for, or staying on, welfare.
4. Welfare rolls and costs will decline as malingerers drop out of welfare and employable recipients gain the experience needed to obtain a job.[60]

There is ample opportunity to test the validity of these propositions. Since 1961, over twenty state and local governments have established work requirements as a condition of general assistance. In 1982, Congress authorized the states to require work as a condition for receipt of AFDC and food stamps. Twenty-two states have moved to require workfare for some portion of AFDC recipients and twelve states have experimented with pilot projects for food stamp workfare.[61] The results of most studies of these programs indicate marginal success in meeting the goals of reducing welfare payments and finding meaningful work for the poor.

Goodwin summarizes the results of a 1961 Bureau of Family Services study of workfare in twenty-six states:

- Work relief costs more in public funds than does a simple assistance program. The better programs all showed evidence of considerable expenditure for administration and supervision.
- Work relief by itself does not significantly reduce the assistance rolls. It can do so only if the economy produces additional regular jobs.
- Work relief projects useful to the community are likely to interfere with regular employment and so are difficult to justify.[62]

Additional studies in the 1970s in California, Utah, and Massachusetts reached similar conclusions. Morton Sklar of the Center for National Policy Review at Catholic University notes:

> Every objective assessment of workfare that has been done, including some carried out by state governments themselves, have

> found that workfare costs more than it saves in reduced benefit payments. California's own assessment found that "workfare did not prove to be administratively feasible or practical." The comparison of counties applying workfare with nonworkfare jurisdictions found no savings through reductions in the average size of grants or in the number of participants leaving welfare. A Brandeis University study of Massachusetts workfare also found no significant reductions in welfare payments. Costs of $445 per client to run the program were not offset "either in terms of increased work or reduced welfare costs," the Brandeis study concluded.[63]

Workfare has generally not improved job opportunities for welfare recipients enrolled in the program since most of the work is menial labor. However, it has raised claims that these people displace existing paid workers and that mothers with children must find child care for their youngsters. Concern has also been expressed that such arrangements will not be in the best interest of the children placed in inadequate or dangerous care situations.

All of the studies on workfare have methodological flaws which limit their generalization. Better designed studies evaluating new programs may provide information on the effectiveness of this policy option. Until such time as this data is available, the conclusion that workfare is unlikely to meet its goals seems to reflect the results of existing research. Public doubts about the extent of "freeloaders" under the status quo's welfare system are magnified under proposals for a guaranteed annual income or negative income tax for the poor.

Guaranteed Income

Proposals guaranteeing a minimum income to all citizens, whether it is achieved by assistance or a negative tax, are not new. In the late 1960s and early 1970s, these plans were the subject of heated Congressional debate. The Office of Economic Opportunity in 1967 sponsored four pilot projects at a cost of $100 million to study the feasibility of a negative income tax. Presidents Nixon and Carter both proposed consolidating existing income support programs into one universal NIT. There are existing federal assistance programs which have the major characteristics of an income guarantee. New York senator, Daniel Patrick Moynihan indicates:

> In 1973 a guaranteed income for the aged, blind, and disabled was established as the Supplementary Security Income program, the one part of the Family Assistance Plan proposed by President Nixon in 1969 that was enacted. Moreover, the Congressional debate over FAP led to the Earned Income Tax Credit, a limited negative income tax for the working poor.[64]

Most plans for guaranteeing an income to all citizens envision the GAI or NIT replacing existing welfare programs. Economist Milton Friedman argues: "We should replace the ragbag of specific welfare programs with a single comprehensive program of income supplements in cash—a negative income tax. It would provide an assured minimum to all persons in need, regardless of the reasons for their need."[65] This can be done for far less than is spent on our present welfare system, notes Friedman. The Urban Affairs Council agrees that such an income guarantee "would be relatively inexpensive, costing far less than the complex of programs which we have piled up, one on top of the other, in recent years."[66] Allan Sheahen, author of *Guaranteed Income: The Right to Economic Security*, claims the following advantages:

> The adoption of a guaranteed income would virtually wipe out hunger and poverty in America. It would provide economic security to everyone, even though, at any one time, it would be used by only a few. It would be like an insurance policy. It would give each of us the assurance that, no matter what happened, we and our families would not starve.
>
> [In the late 1960s] The President's commission said that simply because one exists, one is entitled to certain inalienable human rights—life, liberty and the pursuit of happiness. That to secure these rights, every U.S. citizen should be guaranteed a minimum income—enough for food, shelter and basic necessities.[67]

The assumptions have not gone unchallenged. Consolidation and elimination of current assistance programs would work a distinct hardship on noncitizens who rely on these benefits. The impact of this was discussed more fully in Chapter 2. Claims that a federally guaranteed income would reduce the total amount of welfare payments can only be assessed once the benefit level of the GAI is set. A new federal program could involve substantially greater outlays of public funds. Keeley and Robins have examined various income guarantee levels and work incentive rates and concluded:

> Costs vary widely with the parameters of the program. The most expensive program costs $30 billion more (in 1974) than the existing welfare system and has the participation of approximately 39 percent of all husband-wife families and 73 percent of all female-headed families. The least expensive program costs only $2.2 billion more than the current welfare system and has the participation of approximately 7 percent of all husband-wife families and 51 percent of all female-headed families. In 1978 dollars, the net cost of these programs would be $40.5 billion and $3 billion, respectively.[68]

It is even possible that some recipients of a GAI or NIT would re-

ceive reduced benefits. There are two scenarios under which this would occur:

- if the GAI is set below the level of assistance now provided by more generous states those recipients would lose money.
- loopholes in the present system enable families to take advantage of very low benefit reduction rates when they also work. The effective tax rate on work could be much higher under a GAI or NIT thus reducing total income to a family.[69]

Perhaps the greatest problem with a minimum guarantee of income is the effect on work incentives. If every person in the United States is provided an assurance that basic needs would be met with cash assistance from the federal government, how many would try to find work? Studies have been conducted which try to provide an answer to this important question.

Work Incentives

Economic theory indicates that a universal NIT or GAI would reduce work incentives. "The guarantee reduces hours of work because it provides a source of income that enables families to maintain a given level of consumption without having to work as many hours. The tax rate reduces hours of work becau e it lowers the economic return achieved from working additional hours."[70] The existence of four Office of Economic Opportunity experiments with a guaranteed income provides a useful source of information on the "real world" effects of such a program. Robert Moffitt, assistant professor of economics at Rutgers University describes the parameter of the pilot projects:

> The experiments were conducted over a number of years in selected "test bore" sites across the country: New Jersey and Pennsylvania (1968–72); rural areas of North Carolina and Iowa (1970–72); Seattle and Denver (1970–78); and Gary, Indiana (1971–74). Three of the tests were limited to specific groups of people; only husband-wife couples were studied in New Jersey and Pennsylvania and in the rural experiment, and only blacks in the Gary test, although the Gary test included both couples and families headed by women. All races and family types were included in the Seattle-Denver study.
>
> The sample sizes for the experiments were: 1,300 in New Jersey and Pennsylvania; 800 in the rural tests; 4,800 in Seattle-Denver; and 1,800 in Gary.[71]

The particular study methodology is provided by Greenberg, Moffitt, and Friedmann:

> In these experiments, families were randomly selected and assigned to one of several experimental groups or to a control

> group. Experimental families were eligible for cash assistance from income-conditioned cash transfer programs of varying generosity, while control families received no experimental payments but continued to receive whatever benefits they were eligible for under existing assistance programs.[72]

Results from all studies indicate there was a reduction in work effort associated with a guaranteed income. Greenberg and his associates report: "The four negative-income tax experiments have now all produced estimates of the effect of an NIT on the work effort of the participants. Although varying in statistical significance and in magnitude, these estimates, as anticipated, point strongly to a reduction in work effort."[73] These results are conveyed in Table 4 which shows the difference in hours of work per week between the experimental and control groups, broken down for husbands, wives, and female heads of families in each of the test areas. Work effort is shown as hours of work per week, but most of the studies actually measured work hours over longer periods. Moffitt concludes: "Data presented in the table are unequivocal evidence that hours of work are reduced by the negative income tax. The disincentive effects for husbands range from about 1 percent to 8 percent. For wives, they vary much more—from almost zero to 55 percent (although the latter figure may be a statistical anomaly."[74] An explanation of the particular disincentives such as GAI could generate includes both a reduction in the future supply of laborers for low-paying jobs and a decision by employees currently in such jobs to drop out of the labor force.

As impressive as these findings sound, there are several limitations on the experiments which should be considered when assessing the results. Moffitt summarizes these:

- The most important qualification is that the experiments by and large lasted only 3 years, a fact which was known beforehand by the families who agreed to enroll. Participants consequently may have behaved differently than they would in a permanent national program, although it is not obvious whether they would respond more or less under non-test conditions.
- Another limitation of the experiments is that they yield very little information on the welfare participation rate one might expect from a national negative income tax.
- A final problem with the experiments relates to the underreporting of income by the experimental and control groups. In the Gary experiment, there is some evidence that the female family heads in the experimental group underreported income substantially more than those in the control group, and that the reduction in work effort indicated by the data was partly spurious.[75]

On balance, however, there is adequate statistical support for the existence of work disincentives under a guaranteed income proposal.

Table 4

AVERAGE DIFFERENCES IN WEEKLY HOURS BETWEEN CONTROL AND EXPERIMENTAL GROUPS IN FOUR TEST AREAS

Area and source of estimate	Husbands		Wives		Female heads of families	
	Absolute difference	Percentage difference	Absolute difference	Percentage difference	Absolute difference	Percentage difference
New Jersey-Pennsylvania						
U.S. Department of Health, Education and Welfare:[1]						
White	−[illegible]	5.6	−1.4	30.6	—	—
Black	0.7	2.3	0.1	2.2	—	—
Spanish-speaking	−0.2	0.7	−1.9	55.4	—	—
Hall:[2]						
White	[3]−2.4	7.1	[3]−1.5	32.8	—	—
Rural (nonfarm)						
U.S. Department of Health, Education and Welfare and Bawden:[4]						
North Carolina blacks	[3]−2.9	8.0	[3]−5.2	31.3	—	—
North Carolina whites	2.1	5.6	−2.2	21.5	—	—
Iowa whites	−0.5	1.2	−1.2	20.3	—	—

(continued)

Table 4 (Continued)

Area and source of estimate	Husbands		Wives		Female heads of families	
	Absolute difference	Percentage difference	Absolute difference	Percentage difference	Absolute difference	Percentage difference
Seattle-Denver						
Keeley and others[5]	[3]−1.8	5.3	[3]−2.1	14.6	[3]−2.6	11.9
Gary						
Moffitt[6]	−1.6	4.7	0.2	3.7	[3]−2.0	27.8

[1]See *Summary Report: New Jersey Graduated Work Incentive Experiment* (U.S. Department of Health, Education and Welfare, 1973).

[2]See Robert Hall, "Effects of the Experimental Negative Income Tax on Labor Supply," in Joseph A. Pechman and P. Michael Timpane, eds., *Work Incentives and Income Guarantees* (The Brookings Institution, 1975).

[3]Significant at 10-percent level (15 percent for New Jersey Department of Health, Education and Welfare estimate).

[4]See *Summary Report Rural Income Maintenance Experiment* (U.S. Department of Health, Education and Welfare, 1976).

[5]See Michael Keeley, Philip Robins, Robert Spiegelman, and Richard West, "The Labor Supply Effects and Costs of Alternative Negative Income Tax Programs," *Journal of Human Resources*, Winter 1978, pp. 3-36.

[6]See Robert A. Moffitt, "The Labor Supply Response in the Gary Income Maintenance Experiment," *Journal of Human Resources*, Fall 1979, pp. 477-87.

Note: Hours differences are regression-adjusted for differences between experimental and control group members in years of education, age, and similar variables.

Dashes indicate data not available.

From: Moffitt, *Monthly Labor Review*, April 198[illegible] p. 24.

This will alienate potential support for the plan, escalate the costs of a GAI, and cause problems for those sectors of the economy which rely on cheap labor.[76]

Conclusion

The status quo has designed income maintenance programs to meet the needs of the poor. Budget reductions and eligibility restrictions have begun to erode this "safety net" of support for those who are incapable of supporting themselves. At the same time, an increasing emphasis has been placed on requiring work from those capable of labor. Peter Gottschalk, writing in the *Encyclopedia of Economics* concludes:

> There is a growing tendency to focus on the differences among various segments of the poverty population. Roughly 68 percent of all poor household heads are not expected to work—disabled, aged, women with children. For these people work disincentives are not an issue. A program with high benefits and high benefit reduction rates would be appropriate. The 11 percent of the poor who work full time are in need of job opportunities. The key area of disagreement lies with the appropriate programs for the remaining 21 percent of the poor who are either single or male-headed households.[77]

It is precisely this issue of job opportunities which will be addressed in the next chapter.

4. Federal Employment Guarantees

Resolved: That the federal government should provide employment for all employable United States citizens living in poverty.

Basic Concept

The third debate proposition under the general problem area of reducing poverty focuses on federal provisions of employment for able United States citizens. In the preliminary voting conducted in January, this resolution was the clear preference of a majority of those returning ballots to the National Federation. It will probably be the topic selected by most states and summer forensics institutes.

All three resolutions offer policy choices for reducing poverty; however, there is a fundamental difference between the first two propositions and the third. Both a guaranteed annual income and a negative income tax, as described in the first two proposals, are welfare programs which ensure minimum cash assistance to United States citizens regardless of their ability to earn a living. The disincentive to seek or keep work increases with the size of average payment. The "dole" is sharply contrasted with the third proposal, which calls upon the federal government to provide employment for employable citizens. While such a proposal may be costly, it is more in keeping with taxpayers' concerns about the work ethic of the poor. It must be remembered, however, that over half the poor now receiving income maintenance benefits are incapable of working. Thus, an employment or jobs program cannot replace existing welfare for many now in poverty.

Provide Employment

This resolution calls upon the government to "provide" employment. The use of the word "provide" creates ambiguity on how active the federal government must become in directly creating jobs. For example, when asked what was the single most important step this nation should take to bring down unemployment, Paul McCracken, economist at the University of Michigan, responded: "Keep the economy on a sustainable path of expansion. Thus far, the path the economy

has taken is very encouraging. If we can keep that going, then we're heading toward unemployment of 6 percent, and if we'll be patient, we can probably work it down further."[1] Historically, this emphasis on economic stability has been the foundation for full employment as documented by Charles Stewart:

> For most of the postwar period, employment policy in the United States emphasized tax and expenditure measures to maintain employment—a derived demand—at or close to full-employment levels. The primary objective was to stabilize the economy at high levels of demand and thus minimize cyclical unemployment.[2]

The benefits of high economic growth are to be translated into additional jobs for the unemployed. Katherine Hooper Briar, assistant professor of social work at the University of Washington, explains:

> National policies concerned with the reduction of aggregate unemployment focus indirectly on getting the jobless back to work. They involve such actions as easing access to money (through changes in monetary and fiscal policies) to stimulate an increased demand for goods and services and to compel increased output and expansion. Such aggregate approaches to the creation of jobs presume a trickle-down effect from the increased flow of money and ignore the fact that major pockets of inflationary pressures may occur in sectors of the economy long before thousands of dislocated workers have returned to work; such pockets of inflation often reinitiate anti-inflationary money-tightening policies.[3]

The past decade has also witnessed an equal priority given to keeping inflation under control. These twin goals, of high employment and low inflation, have been virtually impossible to achieve simultaneously.

From the 1960s to the present, the government has also pursued more active labor intervention policies. These policies include federal and state programs promoting job training, tax incentives for employers to hire persons with labor market disadvantages, and public service employment. One of the major domestic issues faced by both Congress and the president for the past three years has been the expansion of training and jobs programs. There have even been calls for direct government hiring of workers similar to the Civilian Conservation Corps of the 1930s.

In addition to maintaining economic growth or directly hiring and training workers, the federal government also provides jobs through budget expenditures for federal programs. For example, public funding for the B-1 bomber or the Space Shuttle creates jobs in the aerospace industries; funding for highways promotes jobs in construction and related industries; and funding for solar energy development fosters employment in companies which produce goods and services for

that alternative form of energy. Virtually every expenditure of public monies provides jobs to those who receive government contracts.

Thus, the affirmative has a great deal of discretion in selecting the method of providing employment. Three additional observations are in order. First, this resolution does not require employable citizens to accept the jobs offered by the federal government. Many of the issues discussed in Chapter 3 in the section on workfare are also relevant to this resolution. Second, some affirmatives will claim advantages not only from employing people but also from the program which serves as the employer. For example, individuals could be provided with jobs building nuclear power plants, solar energy farms, or space stations. Each of these projects had both advantages and disadvantages as separate policy proposals regardless of its impact on reducing unemployment. Affirmatives may claim these advantages as part of their employment program. Third, the debate proposition does not require full-time jobs for employable poor. The affirmative may wish to combine both full- and part-time work opportunities for eligible citizens.

Employable

Proponents of the debate resolution will provide employment to that portion of the poor who are employable. "Employable" is defined by Jerry Rossenberg, chair of the Department of Business Administration at Rutgers University, as "describing people in the population who are able to work and who fall within certain age limits."[4] In contrast, those who are unemployable are people unable to find work. "The term usually refers to an individual who is too sick, too young, too old, or too badly impaired in mind or body, or to anyone who attempts to avoid work or is a criminal."[5]

Despite these definitions, employability is seldom a clearcut decision when actual cases are examined. When is a person too old or too young or too ill or too disabled to work? An equally important question is who decides whether someone is capable of employment. Even conceding that there are some individuals who can be physically or mentally excused from labor, there are others who, because of other obligations, may not be required to accept employment. Two examples illustrate this category of employable people. Traditionally, single parents of young children have not been expected to work. AFDC was established with precisely this group as its target population for receiving income assistance. In those states experimenting with workfare, single parents of children under three years of age are exempt from work requirements. Yet an increasing number of such parents, especially single mothers, may actually want to find suitable employment. Economists Danziger and Plotnick note:

> Members of this group cannot now be easily classified as expected to or not expected to work. The past consensus that a woman without a husband should remain at home to care for her children has been eroded by the growth of labor force participation by mothers in two-parent families. If single parents do not increase their work effort, and if, as we have argued, benefits in existing programs are not likely to be greatly increased, then the standard of living of single parents will remain low.[6]

Another potentially employable group is comprised of teenagers sixteen years of age or over. The Department of Labor includes those sixteen or over who seek work in its unemployment statistics, although many youths only want part-time jobs. There is already concern that this age group is overcommitted to paid work. Janice Neipert Hedges, a labor economist formerly with the U.S. Bureau of Labor Statistics, argues:

> Student employment, particularly when it exceeds 15 or 20 hours weekly, has been found to entail costs as well as benefits. The costs include diminished involvement in school activities, increased absenteeism from school, and possibly a decline in academic grades. The National Association of Secondary School Principals, noting that some students appear to be working excessive hours, has urged that a proper balance between job experience and class time be maintained.[7]

Will teenagers who live in poverty be eligible for the jobs provided by the affirmative?

There are significant social costs involved with a federal employment program which encourages single parents and students to work. There are also grave social costs attached to a policy which excludes these groups from such a program.

Living in Poverty

The people targeted for federally provided employment are those living in poverty. Chapter 2 discussed the difficulty of setting a valid standard of poverty. Thus, the exact number of individuals who are covered by the mandates of the affirmative plan is open to question. There are additional problems created with the proposition's restrictive language. Those in poverty may not possess the skills necessary to function in the jobs created by the affirmative. One of the anomalies of the current unemployment problem is that there are jobs available, but those who are unemployed do not have the education, skills, or training to find work in those jobs. If an affirmative plan provides employment in technologically sophisticated areas, it will not benefit those now in poverty. Another difficulty arises if the affirmative goes beyond the mandate of the topic to employ those who are

not in poverty. Theoretical issues, such as extra-topicality of plan provisions and negative use of counterplans, will be utilized to prevent the affirmative from illegitimately expanding the scope of the topic.

It is usually assumed that if all those in poverty who were able to work had a job, poverty—for this group at least—would be eliminated. Unfortunately, this assumption is not true. Millions of employed Americans earn wages below the official poverty line. The U.S. Bureau of Labor Statistics utilized data from the 1982 Current Population Survey and found:

> Among the 65.3 million persons employed 50 weeks or more who usually worked full time, 5.2 million reported earnings of less than $6,700, the minimum wage equivalent for a full year's work. Although a large number of these workers were self-employed, the majority were wage and salary workers. . . .
>
> Almost 2 in 4 of the 5.2 million workers with low earnings from year-round, full-time work lived in families with total income below the poverty line. Among the women who maintained their families, nearly half of those with full-year earnings of less than $6,700 fell below the poverty line, as they were unlikely to have other earners in the family.[8]

The availability of jobs will not necessarily raise families out of poverty. A combination of rate of pay and duration of employment will ultimately decide the fate of the working poor.

Unemployment: Measurement

An unemployed person may simply be defined as "a member of the labor force who seeks work but does not find it."[9] The Department of Labor has a more specific definition.

> Unemployed persons comprise all those who did not work during the survey week, who made specific efforts to find a job within the past four weeks, and who were available for work during the survey week (except for temporary illness). Also included are those who were available for work, and (1) were waiting to be called back to a job from which they had been laid off; or (2) were waiting to report to a new wage or salary job within 30 days.[10]

Those under the age of sixteen are not counted as being in the labor force. The number of unemployed is divided by the total employed and unemployed in the labor force to produce an unemployment rate. Therefore, an unemployment rate does not directly measure the number of people working in any given year.

During the last ten years the average unemployment rate has been

7.59 percent. A review of labor statistics shows the following rates of unemployment:

1974	5.6 percent
1975	8.5
1976	7.7
1977	7.1
1978	6.1
1979	5.8
1980	7.1
1981	7.6
1982	9.7
1983	10.7
1984 (est.)	8.5

During each of these years the total labor force in the United States grew, i.e., each year more Americans were working than the year before.

Full Employment

A certain level of unemployment reflects the normal cycle of workers voluntarily changing jobs. This level is designated as "full employment." During most of the 1960s and 1970s full employment was considered 4 percent. Currently, there is an agreement among many economists and government policymakers that a 4 percent level of unemployment is unrealistic. Professor Briar notes:

> At one time, it was assumed that optimal conditions of unemployment and inflation occurred when unemployment was reduced to 4.5 percent or 4 percent. Such percentages were designated as measures of a "full-employment" economy. In recent years, the inverse relationship between unemployment and inflation has been reexamined, and the optimal unemployment rate has been raised to 6 percent, which is considered a more realistic measure of a "full-employment" economy.[11]

The president's Council of Economic Advisers (CEA) considered dropping the whole idea of developing a full employment estimate because it set unreasonable policy targets. Council member William Poole maintains: "Identifying a number that you can call full employment is awkward and puts you in a fuzzy never-never land."[12] *Dun's Business Month*, a publication for the business community, notes the reasons for the change in the concept of full employment:

> But the world has changed (since the early 1960's) and most experts, both liberal and conservatives, agree that the 4% yardstick is no longer valid. This is due to such factors as the profound

> changes in the makeup of the labor force, including the massive entry of women and unskilled teenagers; the dismaying decline of heavy industry; the rapid growth of high-technology firms that demand new skills; the geographic shift of plants and capital out of the Frost Belt to the Sun Belt; and the phenomenon of the underground economy, which employs untold numbers of people off-the-books.[13]

There still are, of course, disagreements as to what level of unemployment the economy and, more importantly, policymakers should tolerate. Paul McCracken indicates, "We ought to be able to get down to something like 6 percent and maybe lower." Lester Thurow, professor of management and economics at MIT, believes that the United States can still aim for a 3 to 4 percent level.[14] Martin Feldstein, chair of the CEA, estimates a 6 to 7 percent level while Jason Benderly, chief economist of the Prudential Insurance Company, sees full employment at 7 to 7.5 percent.[15] *Dun's Business Month* notes:

> Such talk is shocking to labor leaders and liberal economists. "No other economy in the world would accept those numbers," says AFL-CIO economist John Zalusky. "This level of unemployment is a terrible waste of human resources, and the Reagan Administration is making a fatal mistake if it believes the American public will settle for 7%." Harvard's Quinn Mills is equally outraged: "I don't buy any of those numbers," he says. "Unemployment should be no more than 3%, period." To accept 7% as full employment, Mills maintains, is "to beg the purpose of what the economy is all about—which is to provide people with jobs."[16]

Why such a heated exchange over an economic statistic which is so difficult to quantify? The basic answer is that the full employment figure represents the level of officially acceptable unemployment. Government is expected to develop programs to reduce the number of unemployed to around that percent. The unemployed are not just economic statistics but real people. Each 1 percent of the unemployment rate equals more than a million Americans who are unable to find work. The difference between Benderly's estimate of 7.5 percent and Mills' 3 percent figure for full employment represents 5 million citizens without hope of federal intervention to spur creation of new jobs in the immediate future.

Unemployment Statistics

The official Bureau of Labor Statistics data which measure unemployment do not give a complete picture of the scope of joblessness in America. To be counted as unemployed, a person must be actively seeking work. Many of those who have been out of work for a long period of time give up looking for a job. These "discouraged" work-

ers are still without work but they are not counted in unemployment figures. Professor Stanley Moses and others "made this a central point of attack on American unemployment estimates, claiming that they underestimated the number of jobs needed to be created as an objective of economic policy."[17] An estimated 1.5 million workers have given up looking for work. While total employment has increased, the number of discouraged workers has also increased.

> Although overall employment is up sharply from a year ago, blacks, women and teenagers as well as older workers displaced from basic manufacturing jobs continue to have a tough time in the labor market.
>
> A disproportionately large share of these groups consider further job hunting futile. Blacks made up just 10.4 percent of the nation's labor force in 1983, but represented 28.6 percent of all discouraged workers. Similarly, women were 43.5 percent of the force but accounted for 60.4 percent of those no longer seaching.[18]

This increase in discouraged job seekers may be one explanation for lower unemployment rates. Peter Duprey of Data Resources notes: "The large share of discouraged workers is a major cause of inhibited labor-force growth and consequently of the sharp unemployment-rate decline."[19]

On the other hand, there are claims that official unemployment figures overestimate the problem. While personally disagreeing with their conclusions, Professor Briar notes: "Some elected officials, as well as conservative commentators, argue that the statistics are inflated to reflect persons who are not serious about finding work but must claim to be serious as a condition for receiving aid from such programs as food stamps."[20] Another source of overestimation is teenage unemployment. While conceding that the rate for this group is high, economist Sean Sullivan, a consultant to the American Enterprise Institute, finds it necessary to also consider how many teenagers are still in school because "unemployment for these youths does not typically have the same meaning as it has for an older head of household. Teenage unemployment rates that fail to consider school as an alternative to, or even as a kind of, work overstate the problem—although there are economically disadvantaged youths who must work to remain in school."[21]

Many of these criticisms of unemployment data stem from the basic social and political orientation of the commentator. Arvil Adams, former executive director of the National Commission on Employment and Unemployment Statistics, concludes:

> Assertions that too many or too few are counted among the unemployed, for example, can often be traced to the critic's view that a group such as in-school youth or housewives has no real

> economic need for work, or alternatively, a group like discouraged workers has a real economic need for work. This perception confounds the debate over labor force classifications by introducing the social welfare criterion into the classification decision alongside the labor force attachment criterion.[22]

Another problem with the use of unemployment statistics is the mistaken belief that such figures accurately provide a count of the number of workers unemployed each year. Such is not the case, as Professor Briar explains:

> The number of individuals who are directly affected by unemployment each year is two to three times the official unemployment rate. Owing to the dynamic nature of unemployment, some people may return to work at the same time that others become unemployed. Therefore, when the annual unemployment rate hits 9 percent, for example, the incidence of joblessness in the population during that year may be as high as a quarter of the working population. Because ethnic minorities, youths, women, and the elderly are disproportionately victimized by joblessness, unemployment among such groups may be twice that of the general population and—in the case of minority youths—four to six times that of the general population.[23]

Underemployment

A final labor concern which is not addressed by data on unemployment is the existence of underemployment. A worker who is underemployed, according to Rosenberg, is one who "is working on a job at a lower level than that for which he or she was trained or is experienced to handle. Total skills are untapped, and the employee is often frustrated and/or angry with the job situation."[24] One cause of inefficient utilization of workers is involuntary part-time employment. In 1981, almost 14.6 million persons experienced such a situation. A demographic analysis of such persons by the Bureau of Labor Statistics reveals:

> Almost 50 percent of husbands but only one-quarter of the wives working part time did so involuntarily. Among men and women who maintained families alone, most of those working part time would have preferred full-time work.
>
> One in 3 of the blacks and 2 in 4 of the Hispanics who worked part time involuntarily lived in a poor family compared with relatively few whites (1 in 7). Among black women who maintained families alone and had some involuntary part-time work, more than 50 percent were in poverty.[25]

Another source of underemployment is the inability of better educated workers to find jobs which will utilize their educational background. These workers are "overqualified" for their current "low-

skill" jobs. Beverly Burris, a sociologist at Trinity University, cites the following research to support this conclusion:

- Staines and Quinn (1979) found that in 1977 36.5 percent of U.S. workers felt that they were not fully using their skills, compared with 27 percent in 1969.
- Duncan and Hoffman (1978) found that 42 percent of workers felt overeducated for their jobs in 1976.
- Norwood (1979), using Bureau of Labor Statistics data, found that only 45.9 percent of college graduates found professional and technical jobs during 1969-78, compared with 73.2 percent during 1962-69. Moreover, college graduates were increasingly entering the labor market as low-level workers, especially in clerical and sales positions.
- Berg et al. (1978) using 1971 data found that 51 percent of all college graduates and 24.8 percent of the entire U.S. labor force were underemployed.
- Rumberger (1981), comparing 1960 and 1976 data, found that "the distribution of educational attainments . . . shifted dramatically during this period": by 1976 less than 25 percent of the U.S. population had low-level education, but nearly half had jobs requiring low-level skills.[26]

Such workers experience increased job dissatisfaction, higher turnover rates, reduced job involvement, reduced co-worker relations, lower self-esteem, and lower job productivity.[27]

What the research on under employment demonstrates is that work alone is not sufficient for satisfaction. Rather, the nature of the work in relation to employee skills is a key ingredient for success on the job. This match of job and skills is often ignored in discussions on government job creation.

Unemployment: Profile and Causes

Exactly who are the unemployed? Earlier in this chapter it was reported that approximately 3 percent of those who are out of work are voluntarily changing jobs. Others are unemployed because the current recession has slowed growth and, with an upswing in the economy, they will be rehired in their old jobs. However, there exists a segment of the unemployed who lack the skills or ability to find employment. This group is referred to as structurally unemployed. Table 5 presents an in-depth profile of population groups and their unemployment rates for the first half of 1983.

Unfortunately, the groups who had higher than average joblessness during the recession of the 1980s also traditionally exhibited high unemployment rates. For example, Hispanics, because of low education levels, language difficulties, and vestiges of discrimination, have high-

Table 5

1983 UNEMPLOYMENT PROFILE
U.S. DEPARTMENT OF LABOR STATISTICS

Nationally, 9.5% of the labor force, or 10,590,000 men and women, are jobless

Adult Men 8.8%, or 5,208,000 jobless	Adult Women 7.9%, or 3,521,000 jobless	Teenagers 22.8%, or 1,860,000 jobless
Married Men (spouse present) 6.1%, or 2,504,000 jobless	Married Women (spouse present) 7.0%, or 1,846,000 jobless	Women Who Head Families 11.6%, or 667,000 jobless
Whites 8.2%, or 7,959,000 jobless	Blacks 19.5%, or 2,295,000 jobless	Hispanics (of any race) 12.3%, or 748,000 jobless

White Teenagers 19.5%, or 1,401,000 jobless
Black Teenagers 48.1%, or 397,000 jobless

Manufacturing Workers 10.5%, or 2,276,000 jobless	Trade Workers 9.7%, or 2,032,000 jobless
Finance, Service Workers 7.3%, or 1,996,000 jobless	Government Workers 5.5%, or 903,000 jobless

From: *U.S. News and World Report*, September 5, 1983.

er unemployment rates than whites. Teenagers also have severe problems finding work, as reported by *Editorial Research Reports*:

> Many unemployed youths will face labor-market problems even under the best conditions. Because of a combination of societal and personal handicaps, these young people have difficulty finding and keeping a job. Many of them have dropped out of school; a disproportionate number of black and residents of "inner-city" neighborhoods.[28]

Another group, at one time referred to as the "hardcore" unemployed—minority youths, minority women, single parents on welfare—do not possess the skills necessary to be hired by the private sector. A. F. Ehrbar, an editor of *Fortune*, reports that these groups foundered in the job market "because they are bereft of salable skills. Many are unable to perform the simple task of filling out a job application or making change. A large proportion, especially among the young, haven't learned the fundamental discipline of showing up at work each day, following instructions, and sticking around until the shift is over."[29] While some individuals may lack the education, basic skills, and work experience necessary to successfully compete for employment, there are several other major causes of unemployment.

Displaced Workers

The term displaced or dislocated worker, although not precisely defined, is "usually used to describe a worker whose job has permanently disappeared, be it from import competition, automation, or plain old consumer rejection of the product he makes."[30] There is a great deal of uncertainty as to the actual number of such unemployed. A study for the National Alliance of Business by Barth and Reisner cites "recent estimates placing the number of 'dislocated' workers in the U.S. somewhere between 100,000 and 800,000 and predicts that the actual figure will continue to rise as changes in technology occur.

'While the problem (of worker dislocation) appears not to be a national crisis,' the report says, 'it is a critical issue for affected localities.'"[31] Depending on the criteria, used between 270,000 to 2.2 million workers have been displaced nationally. This data, summarized in Table 6, is from the Congressional Budget Office. Such claims do not go unchallenged. Ehrbar argues that past Congressional Budget Office projections have been in error.

> The figure bears little relation to the number of workers permanently displaced. It represents everyone who was laid off or fired in a declining industry, defined by the Budget Office as one in which employment fell in at least three of the last five years and was lower in 1982 than it was in 1978. But most of those workers are simply victims of recession and will eventually be recalled.[32]

Ehrbar believes that approximately 60,000 workers have been permanently displaced.

Regardless of the precise number, dislocation undoubtedly will be an ongoing problem. More United States firms are likely to relocate overseas at the cost of thousands of domestic jobs. U.S. Trade Representative William Brock claims: "If businesses are going to compete, they're going to be putting their plants overseas because the dollar is too strong."[33] An explanation is offered by *U.S. News and World Report*:

> Business is lost because foreigners have more trouble affording goods and services coming from this country as their currencies lose comparative value. At the same time, products made in foreign lands often can be sold at lower prices in the U.S. . . .
>
> The disparity is what has eliminated at least 2 million U.S. jobs, estimates David Packard, chairman of Hewlett-Packard.[34]

High American wage rates allow foreign countries to bring goods into the United States at a much lower cost than similar domestic-made

Table 6

ESTIMATED NUMBER OF DISLOCATED WORKERS IN JANUARY 1983 UNDER ALTERNATIVE ELIGIBILITY STANDARDS AND ECONOMIC ASSUMPTIONS

(thousands)

Category of Workers	Number of Workers
Civilian Labor Force	109,779
Eligibility Criteria	
Single Criterion	
Declining Industry	1,240-1,590
Declining Occupation	1,700-2,200
Ten years of job tenure	840-1,200
More than 45 years of age	1,120-1,370
More than 26 weeks of unemployment	840-1,200
Multiple Criteria	
Declining Industry and:	
Ten years of job tenure	270-330
45 or more years of age	270-340
26 weeks of unemployment	185-240
Declining Occupation and:	
Ten years of job tenure	300-390
45 or more years of age	390-520
26 weeks of unemployment	310-490

From: Federal Reserve Bank of Atlanta, *Economic Review*, December 1983.

products. Modernization and increased automation of basic industries such as steel, automobile, lumber, and textile have combined with the recession to eliminate over 2 million jobs, according to MIT economist Harley Shaiken.[35]

There are two reasons why an economic revival may do little to help truly displaced workers. First, they lack the skills necessary to find jobs in the new growth industries. Audrey Freedman, an economist for the Conference Board, believes "The biggest problem is a growing skills mismatch: hundreds of thousands of blue-collar workers who have been laid off in shrinking industries such as autos and steel don't have the training for hi-tech jobs."[36] A second problem is that new jobs are often located in different areas of the country and at substantially reduced wage rates.

> Displaced workers do face some special problems, the greatest being geography. Most of the jobs that have disappeared are bunched in rust-bowl cities where unemployment rates average around 15%, while the greatest job growth is occurring in far-off places like Dallas and Oklahoma.[37]

The combination of a mismatch in skills and geography is one reason why the current recession is different from those of the past. Economic growth will not bring jobs back to basic industries. This fact is reflected in the increased duration of unemployment. By February of 1983, 12 million Americans were out of work; 2.6 million were out of work for twenty-seven weeks or longer. William Johnson, a senior vice president with Blue Cross-Blue Shield health insurance, explains that "the average duration of unemployment is becoming longer . . . [and] high levels of unemployment may be more chronic than temporary."[38] The *Congressional Quarterly Weekly Report* supplies a consensus opinion when it notes:

> Analysts believe that many laid-off workers in troubled industries such as steel or farm equipment or automobile manufacturing will not get their jobs back when the recession ends, because the jobs will have been permanently eliminated—by bankruptcies, changing technologies or other factors.[39]

Compounding the problem of structural unemployment is the fact that many Americans cannot successfully compete for jobs now held by illegal aliens.

Illegal Aliens

Depending on which estimate is believed, there are as many as 3 to 15 million illegal immigrants working in the United States. Many officials in Congress and state government believe that these immigrants are

directly competing for jobs with Americans. Congressman Romano Mazzoli from Kentucky explains:

> Contrary to popular belief, it is presently not illegal to hire an undocumented alien. As a result, hundreds of thousands of undocumented aliens enter this country each year to take jobs.
>
> These undocumented aliens come from all parts of the world, and take jobs in all sectors of our economy in all parts of our country. While no one knows for sure how many of these jobs might otherwise be taken by Americans, it is clear that there are at least some job displacements, especially at the lower end of the job scale.[40]

Malcolm Lovell, Under Secretary of Labor, has estimated that 40 million Americans compete directly with illegal aliens for jobs. Senator Lawton Chiles from Florida cites the cost of such competition.

> The problems created by illegal [alien] jobs cannot be overstated. It is estimated that there may be as many as 6 million illegal aliens in the United States. Just last week 10.4 million Americans were unemployed. The Congressional Budget Office estimates that each unemployed worker costs $7,000 in unemployment and welfare benefits. If only 1 percent of the jobs that are held by illegal aliens were held by unemployed Americans, the costs of unemployment could be reduced by over $400 million.[41]

Senator John East from North Carolina notes that "the testimony presented to the subcommittee establishes that many illegal aliens are holding good jobs that Americans would gladly accept, and that illegal immigration contributes to our high unemployment rate and depresses wages and working conditions of many American workers."[42]

There are some commentators who question the extent of such displacement of U.S. workers. Representative of this view is *The Nation* magazine article by Geoffrey Rips:

> The charge that such workers take jobs away from Americans is open to dispute. In the recent recession, the areas of highest unemployment—the Midwest and the Northeast—did not suffer the largest influx of undocumented workers. Since the late 1970s, the Sun Belt has had the lowest rate of unemployment and has seen the largest influx of illegal immigrants.[43]

In addition, policymakers are working on both short-term and long-range solutions to the problem of illegal immigration. These proposals include stepped up border patrols, sanctions on employers who hire illegal aliens, and long-term development programs for Mexico and Caribbean nations. However, it is likely to be a long time before these measures significantly reduce the number of illegal aliens in the United States.

Unemployment: Harms

One immediate result of unemployment is a substantial loss of income, even if unemployment does not last a full year. The Bureau of Labor Statistics concedes:

> Even though a family's income may not fall below established poverty levels as a result of unemployment, changes in its living standard could still be great. In 1981, 10.4 million of the 23.4 million workers with some unemployment were members of families with incomes exceeding $20,000. While these income levels are more than twice some poverty lines, they may represent much lower levels compared with previous years and may involve curbs in family consumption, debts, and other possible sacrifices.[44]

Not only is the family budget squeezed because of reduced income but also because of lapsed health insurance, which usually accompanies job termination. By December 1982, of the 12 million unemployed, 10.7 million had lost employer-based group health coverage for themselves and their families.

> It is not unusual for such coverage to continue for a while after a worker leaves a job, but 60 percent of group-insured workers lose coverage within 30 days after their jobs end. Only 20 percent are covered for three or more months after they are laid off, according to William B. Johnson, senior vice president of the Blue Cross and Blue Shield Associations. For a small minority, benefits may last as long as a year.[45]

In addition, in America, loss of a job means loss of identity. Augustus Hawkins, Congressman from California, explains:

> To be without a job in this nation is to be considered less of a person. Traditionally, Americans have been defined by their jobs. A person who is involuntarily without work is placed under tremendous psychological pressure in addition to the obvious economic burdens joblessness creates.[46]

These factors—loss of income, benefits, and identity—combine to create a host of individual and social problems. Professor Harvey Brenner of Johns Hopkins University, perhaps the most frequently quoted authority on the harms of unemployment, wrote a 1976 congressional report for the Joint Economic Committee on the impact of unemployment. He used statistical data from 1940 to 1974 for both the United States and England to reach conclusions on mortality and morbidity rates. Brenner found "an appalling rise in sickness, death and aggressive behavior as unemployment goes up. The most significant increases were in admissions to mental hospitals, homicides, sui-

cides, admissions to prisons and, above all, deaths from stress-related disorders such as heart disease. The overall mortality increase came to more than 36,000 deaths for each 1 percent rise in joblessness."[47] There was also a great social cost involved, as Brenner estimates that the recessions of the 1970s cost almost $21 billion in lost income, increased institutionalization, and provisions of services to the unemployed.[48] The Joint Economic Committee argued that Brenner underestimated the total impact of unemployment. Albert Huebner reports reasons which support this claim:

> For example, it includes death, registered during only a relatively short interval, yet cardiovascular, kidney and liver diseases often develop for years before they become life-threatening. In addition, they can disable a breadwinner and disrupt family life without even resulting in death.[49]

Other research has shown that joblessness leads to:

- increased blood pressure
- doubled likelihood of illness or accidental injury
- depressions, self-doubt
- domestic violence
- child abuse
- mental health problems
- reduced life expectancy[50]

Those who are unemployed often delay seeking necessary medical assistance or preventive care.

> A survey last year by *Medical World News* indicated that all across the country patients were paying significantly fewer visits to their doctors. In particularly hard-hit areas like Detroit, physicians report up to a 50 percent decline in office visits. Dr. Louis Ferman of the University of Michigan has done a formal study of employees laid off during the 1975 recession that confirms this informal evidence. He found that dental checkups were the first casualty followed by annual physicals and then elective surgery. The consequences of this deferred care are that disease develops which could have been prevented, and that minor disease is not treated until it becomes major.[51]

Brenner is updating his Joint Economic Committee study. Preliminary results indicate that "the percentages of disease increases are higher and the impact of joblessness on the health of individuals lasts longer than he had reported earlier."[52] *The Congressional Quarterly Weekly Report* elaborates:

> Brenner now believes that an increase in stress-related illness continues for 15 years after a period of high unemployment, rather than five years, as his earlier study suggested.

> Brenner also thinks the current recession will be associated with increases in other diseases, in addition to stress-related conditions. Because nutrition, housing and access to medical care are being adversely affected by economic conditions, Brenner said, he expects more cases of infectious diseases such as influenza, tuberculosis and pneumonia. These diseases are associated with crowding, poor sanitation and poor nutrition.
>
> And because impoverished people tend to put off medical care until symptoms become serious, Brenner also expects to see more debilitating illness and death from diseases that respond to early treatment, including cancer and heart disease, especially heart disease related to hypertension.[53]

While there are some researchers who question the methodology employed in these demographic studies, there is general agreement that unemployment does have a negative effect on the individual, the family, and society. Albert Huebner concludes: "The evidence is now overwhelming that unemployment is a serious and long-term threat to personal health, to the quality of family life and to the well-being of the community. The prestigious British medical journal *Lancet* does not exaggerate in referring to severe unemployment as the 'new great plague.'"[54] What is needed to resolve many of these problems is gainful employment. Professor Briar states:

> Studies have found that a job may be the most effective treatment solution for many of the problems presented by jobless clients. For instance, data on youthful and elderly jobless workers generated at the time they requested CETA job placements and several months after placement, illustrated this phenomenon. Such symptoms of unemployment as the preoccupation with suicide, conflict, and stress were reduced or eliminated when these two cohorts went to work. Moreover, respondents attributed such changes to the acquisition of a job.[55]

Government Assistance

Various types of government assistance exist for the unemployed until they find work. Many of the income maintenance programs discussed in Chapter 3 are available for those who are jobless. The primary income assistance program for the unemployed is the Unemployment Insurance Program (UI). This program is described by Elaine Knapp, editor of *State Government News*:

> All 50 states and the District of Columbia, Puerto Rico and the Virgin Islands have UI programs, each administering their own benefit standards. The UI program covers approximately 97 percent of all non-farm workers nationwide. Most states limit benefits to 26 weeks, but extended benefits are available in most states in periods of high unemployment with the costs borne by both federal and state coffers.[56]

The *Monthly Labor Review* explains that extended benefits are available after workers exhaust the first twenty-six weeks of unemployment insurance and provide payments at the same weekly rate as the regular program. Extended benefits are "payable for a maximum duration of the lesser of 13 weeks or half the regular benefit duration. Thus, regular program benefits of up to 26 weeks are payable plus up to 13 weeks of EB, [Extended Benefits], with a 39-week overall maximum of regular and extended benefits."[57] In 1982, Congress passed a special Federal Supplemental Compensation Act which authorized six to ten weeks of additional unemployment benefits depending on the level of insured unemployed in each state. Federal benefits are also available for several categories of special workers including federal military and civilian employees and workers adversely affected by foreign imports. The latter program is described in the *Social Security Bulletin* of May 1983:

> Workers whose jobs are adversely affected by international competition are eligible for a variety of benefits under the Trade Act of 1974. Besides training, relocation, transportation, and other allowances, eligible employees are entitled to unemployment benefits called trade readjustment allowances (TRA). TRA payments are subject to reduction by the full amount of any unemployment insurance benefits to which the worker is entitled.

The Reagan Administration, anticipating a drop in the jobless rate, has projected that total unemployment benefits in 1984 will be $19.1 billion and $18.5 billion in 1985. No changes are planned for either the federal-state insurance program or for federal supplemental unemployment benefits.[59] An ongoing problem for the states has been the strain placed on their jobless compensation funds by high unemployment. Many states are reducing benefit payments or tightening eligibility requirements in an effort to keep their programs solvent. Others are borrowing money from the federal government. *State Government News* reports:

> The continued recession and record unemployment have strained state jobless compensation funds and caused states to increase taxes or reduce benefits in order to help keep their funds solvent.
>
> Since last April, at least 22 states have had to borrow from the federal fund to pay unemployment benefits. As of February 28, these interest-bearing loans totaled over $5 billion. The total owed by 27 states to the federal fund was $12.5 billion, including loans from the mid-1970's.[60]

There is some concern that these unemployment programs actually lead to increased joblessness. Economist Paul McCracken notes:

> Now we have to recognize that the more programs we have to soften the impact of unemployment, the higher the "equilibrium"

> unemployment rate will be. Unemployment compensation, food stamps—the whole array of programs—have a side effect of tending to increase the jobless rate because people are under less pressure immediately to take another job just to stay alive.[61]

Both Jason Benderly of the Prudential Insurance Company and Donald Clem of McConway and Torley Corporation believe that high levels of compensation encourage workers to stay unemployed rather than seek available jobs.[63]

Job Training

While numerous state and local governments have established programs to train the unemployed in necessary job skills, the focus for such training has been on the federal government. Georgia senator Sam Nunn notes:

> While the states have been at the vanguard in promoting innovative job training programs, the scarcity of job training funds has limited the states' abilities to promote participation among the long-term unemployed in existing job training programs on a wide scale. At the same time, state employment agency personnel have little incentive to place unemployed individuals in job training programs, since their principal responsibility is successful job placements.[63]

For example, over twenty states have now started retraining displaced workers for new high technology jobs. It is hoped that this pool of qualified technicians will attract new business to those states. Current federal efforts are embodied in the new Job Training Partnership Act (JTPA) which replaces the former Comprehensive Education and Training Act (CETA). JTPA will increase the involvement of both local governments and business people in developing effective training programs. The initial goals are to train disadvantaged youth and to retrain displaced workers. Up to one million trainees may be enrolled this year.[64] Figure 3 illustrates some of the differences between the new JTPA and CETA. Robert Guttman, counsel to the Senate Subcommittee on Employment and Productivity, cites several other advantages of JTPA:

> First, the act contains a permanent authorization, thus relieving the program of the constant reexamination which was required by the limited duration of authorizations in past legislation. Second, it provides for advance funding which may relieve the program from the burden of receiving allocations only after the start of the program year. Third, the act relies on performance standards rather than on process requirements. With these reforms in place, the training programs have an opportunity for rational planning

and for evaluation that may give them the stability previously lacking.[65]

The Reagan Administration plans on spending about $3.8 billion on job training in both 1984 and 1985. This amount is in addition to the over $30 billion spent by private industry to train or retrain workers. Most of this private sector spending "is aimed at improving the skills or knowledge of employed workers to keep even more workers from becoming unemployed. In the future, private employers are likely to come under increased pressure from organized labor to provide training even for displaced workers who might find jobs in other companies."[66] However, the level of retraining has fallen off in recent years. Harvard economist James Medoff notes that "during the 1970s the proportion of U.S. workers receiving employer-sponsored training dipped from 1.5 percent to 1.4 percent, and the number of hours of training for each training dropped from 7.5 to 7.2 per year."[67]

Government training programs should be targeted at those among the unemployed who will not benefit from private job training or because industry has shown little interest in employing them. These groups include many of the hardcore unemployed discussed earlier in this chapter—minority youths, AFDC recipients—as well as those susceptible to structural unemployment—young people and displaced workers. Many of the individuals in these groups will not benefit from jobs created by economic growth without first completing a training program.

DIFFERENCES IN JOB TRAINING PROGRAMS

CETA

- Stipends for all participants.
- All participants must be below federal poverty level.
- Private sector and industry council were mostly advisory.
- Most local programs were paid for training cost, regardless of placements.

JTPA

- No stipends paid. Child care and transportation available in some circumstances.
- Although 90 percent of the participants must be below federal poverty level, the rest must have some other barrier to employment, such as displaced homemakers.
- The private sector shares authority for funding programs with elected officials.
- Payments to many programs contractors based upon the placement of participants in jobs.

Figure 3. From: *Sacramento Bee*, April 8, 1984.

Private Sector Jobs

The real test of any training program is whether there are jobs for its graduates. Senator Nunn believes there will be ample opportunity for future employment.

> According to the Department of Labor, throughout this decade we can expect an annual shortage of 57,000 positions in industrial machinery repair; 28,000 computer operators; 21,300 machinists; 30,000 computer systems analysts and technicians; 5000 tool and die makers; and 19,000 licensed nurses. By 1990, the Labor Department projects a cumulative skilled labor shortage of 2.5 million workers in just 13 occupations.[68]

In addition to these high-tech jobs, there will be tremendous increases in the number of low-skilled jobs. Henry Levin, professor at Stanford University, projects growth in clerical and service jobs.

> The total number of new jobs generated in these and other high-technology occupations will be vastly outweighed by the number of jobs generated in other areas. For instance, the five occupations expected to produce the most new jobs in the 1980s are all in low-skilled areas: janitors, nurses' aides, sales clerks, cashiers, and waiters and waitresses. No high-tech occupation even makes the "top 20" in terms of total numbers of jobs added to the U.S. economy. While employment for engineers, computer specialists, and other high-technology professionals will grow almost three times as fast as employment overall, these occupations will generate only about 7 percent of all new jobs during the rest of this decade.[69]

An expanding economy must not only supply jobs for new workers but also create work for those displaced by automation.

Some economists express concern that increased automation of factories and offices will decrease future job opportunities. Pat Choate, a policy analyst for TRW Inc., predicts that "ten million to 15 million manufacturing workers, and perhaps as many service workers, will see their jobs disappear by the year 2000."[70] It is uncertain how many of these workers can be effectively trained for new high-tech jobs. Recent experience with retraining dislocated laborers indicates a great unwillingness on the part of these workers to either train for new jobs or accept lower paying, low-skill employment. In addition, many of the hardcore unemployed are unlikely to find much help getting private sector jobs.

Federal Jobs

Calls for swift federal action to immediately find jobs for the unemployed are not new. During the 1930s, the Civilian Conservation

Corps (CCC) enrolled over 2.5 million youth and veterans as part of its program of soil conservation, forest protection, flood control, and reclamation. Between 1935 and 1943, the Works Progress Administration employed over 8 million people. *Editorial Research Reports* notes:

> Between 1933 and 1939, the Public Works Administration was responsible for 70 percent of new school construction, 65 percent of all courthouses, city halls and sewage treatment plants and 62 percent of all hospitals.
>
> The WPA created thousands of programs, most of which were quick to implement, labor-intensive and inexpensive. WPA's construction funding was concentrated on levee building, street and bridge repair, tree planting, swamp drainage, flood cleanup and similar projects.[71]

Recessions in 1960, 1965, 1969, 1970, and 1974 have all engendered Congressional public works and employment bills. Among the more recent job bills were the Local Public Works (LPW) program of 1976 and 1977 which was allocated over $6 billion. The Economic Development Administration's study of the effectiveness of LPW revealed it directly or indirectly created 350,000 jobs. However, a study by the Office of Management and Budget found most of these were not new jobs but "substitute jobs." States and localities used federal money to pay workers who would normally have been on their payrolls.[72]

Another recent example of direct government job creation was the Comprehensive Employment and Training Program (CETA) established in 1973. Part of this program involved the creation of 750,000 public service employment jobs. Unfortunately, early reviews of the effectiveness of the program found numerous problems:

> Pressed by the Ford and Carter administrations to fulfill hiring quotas, local officials created numerous paper-shuffling and leaf-raking jobs that critics characterized as "make-work." Lack of tight federal supervision and regulations led to newspaper exposés of local instances of nepotism, favoritism and other kinds of fraud. Many jobs went to middle-class people instead of the hard-core, low-income unemployed for whom they were intended. Job substitution was rampant; in the early stages of the program buildup, more than two-thirds of CETA employees were moved from local or state to federal payrolls.[73]

In 1983, Congress enacted the Emergency Supplemental Appropriations Act which provided $4.6 billion to create 400,000 public works jobs. However, much of the money was used to prevent layoffs rather than to hire the unemployed. These monies were spent without regard for the number of unemployed who might have benefitted from the funded project.[74]

The United States has over fifty years of experience with govern-

ment funded public works and public service programs. This year's debate resolution places the federal government in the role of employer of the jobless. Among the more common indictments to past federal jobs programs are the following criticisms:

- jobs were dead end, low-skilled, make-work jobs
- job skills did not transfer to the private sector
- jobs are not permanent and do not provide for advancement of skills
- long timelags between public works conception and implementation provide little immediate relief for the unemployed
- state and local governments substitute federally paid workers for their own
- state and local governments defer their own projects awaiting federal action
- projects receiving assistance have marginal social utility but high visibility for politicians
- most projects are not labor intensive—which means federal funds are used to buy equipment, not pay wages
- poor match of worker skills with government funded jobs
- inadequate job training
- jobs programs generally fuel inflation because they are effective only after the recession has ended

Current Proposals

President Reagan has made clear his view of public employment programs:

> All of our past experience shows that make-work jobs programs in the past, whatever they did in creating eventually some employment, usually it was so late that recovery had already taken place or was well under way. . . . Also, the taking of those funds from the economy to be used by government in that way resulted in uncounted unemployment in other sectors of the economy. . . . You simply shifted the jobs from one group to another.[75]

The president favors the following proposals for creating jobs:

- A $2.50 an hour below minimum wage "teenwage" to encourage businesses to hire teenagers in the summer
- an extension of the Targeted Jobs Tax Credits program which allows employers to receive tax credits for part of the wages paid to disadvantaged youth, ex-offenders, AFDC recipients, and other hardcore unemployed
- increased training for dislocated workers
- A job-voucher plan which would provide tax breaks for hiring participating jobless workers.[76]

Secretary of Labor Donavan estimates that the subminimum wage would affect 500,000 youth; the displaced worker program 100,000 unemployed; and the voucher system could create 800,000 jobs.[77]

Congress has tried to pass a Youth Conservation Corps program to pay 100,000 teenagers minimum wage to help clean up the nation's parks, forests, and public lands. Another jobs bill has been produced which would accomplish the following objectives:

> It would appropriate $3.5 billion for new jobs, tying this assistance directly to a state's unemployment rate. To be eligible, a person must be unemployed for 15 weeks or more; first preference is given explicitly to those who've exhausted their unemployment benefits. The jobs must be labor-intensive, with no less than 75 percent of the funds used for wages; the projected cost per job is just $10,000. Finally, the bill recognizes the urgency of spending the money; work on schools, for example, must begin within 120 days of the bill's passage.[78]

While this bill is probably better than the 1982 jobs program, it is given little chance of passage.

Despite problems with past job creation proposals, a number of policymakers believe that public employment is critically important to solving problems among the structurally unemployed. Professor Briar notes: "Guaranteed jobs should constitute the cornerstone of all other services and policies related to the unemployed. Without being entitled to jobs, workers will remain pawns of a fluctuating economy and will be sacrificed to treat its ills."[79] Bernard Anderson, director of the Social Services Division of the Rockefeller Foundation, argues that many of the hardcore unemployed "are not going to be hired by the private sector in any jobs that are likely to be created through an economic recovery, simply because there are too many better qualified workers currently available. That group needs publicly supported job creation to get them into the labor market and give them the kind of work experience they need to ultimately be hired into private-sector jobs."[80] Congressman Hawkins concludes:

> We have seen that the private sector is unable to provide enough jobs for the millions who are able, willing, and seeking employment. It is therefore the government's responsibility to provide those opportunities until such time that the economy improves and businesses can once again be the primary provider of jobs in our society.[81]

Public Sector Jobs

There are basically two types of direct government jobs—public service and public works. Public service jobs, such as those formerly funded under CETA, can be quickly set up for people to work for

hospitals, child care centers, government offices, and programs for the needy. While many of these jobs perform vital services, the private sector could do little to absorb these workers because of the limited skills involved in their work. Thus, government would be faced with the prospect of providing ongoing support for these jobs.

The other type of employment involves building or maintaining public facilities, roads, bridges, and dams. The creation of projects for these workers requires significant lead time. However, there are vast unmet needs in rebuilding the American infrastructure. During the past two years, most major magazines have carried articles chronicling the deterioration of America's physical plant. Among the major areas requiring repair or replacement are:

- 8,000 miles of the interstate highway system needs repair
- 45 percent of the nation's bridges are structurally or functionally deficient
- water and sewer systems in many cities of the Northeast and Midwest need replacing
- thousands of miles of state, local, and rural roads need major maintenance and repair
- thousands of public facilities including ports, railroads, mass transit systems, jails and schools also need replacement or modernization

The cost of these repairs is estimated by the Associated General Contractors of America at $9099 million. Dr. Amitai Etzioni calculates that $300 billion a year would be required for ten years to properly rebuild our infrastructure.[83]

Hawkins suggests that the federal government could target expenditures to areas such as housing, energy, transportation, natural resources, and the environment to create jobs and reduce inflation. He explains:

> Needed now are job-creation programs that target federal spending on the long-ter n unemployed who unfortunately will be little helped by a general economic recovery. We need to target our spending in areas that can achieve the multipurposes of putting people to work, providing services or goods, and fighting inflation. Areas such as community improvements; building renovations and repairs; road and other infrastructure repairs; services such as health care, public safety, education aid, day care, et cetera; and reclamation of public lands all fall within the parameters of such a program.[84]

For example, the Construction Industry Research Board, in a study for the California Department of Water Resources, indicated that "for every $1 million in sewer works construction, $4.72 million in total sales are generated, and 12 construction jobs and 53 general economy

jobs are created. And a significant portion of any public investment in construction is returned to the public treasury in the form of taxes."[85]

Public Employment Problems

In addition to the difficulties mentioned in the preceding section, there are a number of other concerns about federal job creation. First, the per job costs would be very high. Public works, for example, are capital-intensive, which means that it will take an initial investment in machines and technology before jobs for people can be created. Patricia Cohen explains:

> There's nothing necessarily wrong with heavy construction, as anyone who's looked at the sorry condition of our roads and bridges well knows. But because public works are so capital-intensive, they don't generate many jobs. Some of the water projects funded in this bill can cost as much as $100,000 for every job created. A $5.6 million highway project in Mississippi will employ a grand total of 83 people.[86]

Public works are also costly because they are not targeted at low-skilled workers or at women and minorities who are less than 10 percent of all construction workers.

A second problem is perceived: decreased unemployment leads to increased inflation. The economic concept is called the Phillips curve and it demonstrates the inverse relationship between unemployment and inflation in the United States. Assuming that there are harms associated with higher prices, it is not at all certain that public employment triggers inflation. Since wages are set by the government, wage-based inflation should not occur. In addition, the U.S. economy has endured both high inflation and high unemployment, a fact which "renders the Phillips curve a vulnerable, if not inoperable, premise for addressing full employment."[87] Some advocates of government job programs note that such plans would actually reduce inflationary pressures by reducing budget deficits. Congressman Hawkins notes:

> Direct job creation will, after an initial expenditure, reduce the budget deficit because people will be able to pay taxes to the Treasury again, while providing needed goods and services to an expanded economy.
>
> Jobs programs, properly targeted to areas of high unemployment, and sectors in the economy experiencing problems will ease inflationary pressures where they may flare up.[88]

The third set of disadvantages are based on the risks associated with working. For example, if formerly unemployed workers are employed repairing the roads, it is more likely that they may be involved

in a work-related injury or death. In 1981, 4,370 employees died in work-related accidents. The construction industry accounted for 18 percent of fatalities which was over three times the industry's share of employment.[89] Construction also had the highest incidence of work-related injuries. Other jobs could expose workers to long-term health hazards from toxic or carcinogenic materials. While these risks may be small, especially when compared with the unemployment harms reported by Brenner, they do serve to balance the equation.

An associated issue arises when single parents of young children work. This concern was expressed in Chapter 3 in the discussion on workfare, but it should be mentioned again. For single parents, inadequate care of their children is often the price of employment. Sheila Kamerman, professor of social policy and planning at Columbia University, observes:

> The cutbacks in funding group programs are especially significant in their impact on services for low- and middle-income children. Many of these children who were in publicly subsidized preschool programs are being transferred into informal and unregulated family day care as subsidies are cut back and programs close or parents lose their eligibility for a subsidy; the children must adapt to a new care giver, and often to the loss of friends.[90]

The suggestion that recipients of public service jobs could care for these children has met with opposition. Janet Diamond, a leader of the Coalition for Basic Human Needs in Boston, asserts: "Low-income neighborhoods are no place to take chances with children, but that is just what is forced on mothers because of workfare. Placing children, all day, in the homes of other workfare women who are untrained, unpaid, unlicensed and who are reluctant day-care providers is opening the door to increased abuse and neglect."[91]

A final area of disadvantage centers on the opportunity cost of working. If jobs are provided to all employable poor, then they will not engage in other activities such as finishing high school, attending community colleges, or joining the armed forces. The National Commission on Employment and Unemployment Statistics determined that with the change to a volunteer system, military employment is not substantively different from civilian employment.[92] One hypothesis is that enlistments in the armed forces vary with the unemployment rate. As unemployment is reduced, fewer recruits join the All-Volunteer Force (AVF). A research team of Ash, McNown, and Udis studied this phenomenon and concluded:

> By way of summary, our evidence points to rather lower pay elasticities than had been previously estimated, no significant effect of unemployment on recruitment, a positive stimulus to voluntary enlistments from the draft, and a weak but pervasive change in tastes away from military service.

> The evidence on the lack of an unemployment effect on accessions is overwhelming. In none of twenty regressions is the unemployment variable significant at even the 35 percent significance level.[93]

Other studies cited by the authors also reported no significant employment effect on enlistments. David Grissmer argues that the "armed forces increase their selectivity during periods of high unemployment, cutting back on non-high-school graduates while maintaining desired recruitment levels through higher rates of unemployment-induced enlistments from the more select group. This could certainly account for the weak unemployment effect observed for total volunteers."[94]

Conclusion

The issues involved with federal provision of jobs are complex. For the structurally unemployed, jobs must be preceded by job training. Even if all the employable poor found work, there would still be a need for income maintenance programs to assist those who cannot work. This proposition highlights two opposing political philosophies of government intervention versus private sector integrity. The future of millions of unemployed Americans await the resolution of the debate.

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